

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 2  
TO

FORM S-1

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

CAL DIVE INTERNATIONAL, INC.  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

|                     |                     |                        |
|---------------------|---------------------|------------------------|
| MINNESOTA           | 1389                | 95-3409686             |
| (STATE OR OTHER     | 1311                | (I.R.S. EMPLOYER       |
| JURISDICTION        | (PRIMARY STANDARD   | IDENTIFICATION NUMBER) |
| OF INCORPORATION OR | INDUSTRIAL          |                        |
| ORGANIZATION)       | CLASSIFICATION CODE |                        |
|                     | NUMBER)             |                        |

13430 NORTHWEST FREEWAY, SUITE 350  
HOUSTON, TEXAS 77040  
(713) 690-1818

(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,  
INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

OWEN KRATZ  
PRESIDENT AND CHIEF EXECUTIVE OFFICER  
CAL DIVE INTERNATIONAL, INC.  
13430 NORTHWEST FREEWAY, SUITE 350  
HOUSTON, TEXAS 77040  
(713) 690-1818  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,  
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. [ ]

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF

THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(A), MAY DETERMINE.

\*\*\*\*\*  
 \* INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A \*  
 \* REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED \*  
 \* WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT \*  
 \* BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE \*  
 \* REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT \*  
 \* CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR \*  
 \* SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH \*  
 \* OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR \*  
 \* QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE. \*  
 \*\*\*\*\*

SUBJECT TO COMPLETION, DATED JUNE 27, 1997

[LOGO] 3,600,000 SHARES  
 CAL DIVE INTERNATIONAL, INC.  
 COMMON STOCK  
 (WITHOUT PAR VALUE)

Of the 3,600,000 shares of Common Stock, no par value per share (the "Common Stock"), of Cal Dive International, Inc. (the "Company" or "Cal Dive"), offered hereby, 2,500,000 shares are being sold by the Company and 1,100,000 shares are being sold by the Selling Shareholders. See "Principal and Selling Shareholders." It is currently estimated that the initial public offering price will be between \$12.00 and \$14.00 per share. Prior to this offering (this "Offering"), there has been no public market for the Common Stock of the Company. See "Underwriting" for information relating to the factors considered in determining the initial public offering price.

The Company has been approved for quotation of its Common Stock on the Nasdaq National Market under the symbol "CDIS."

THE COMMON STOCK OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 8.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

|                | PRICE TO PUBLIC | UNDERWRITING DISCOUNTS AND COMMISSIONS(1) | PROCEEDS TO COMPANY(2) | PROCEEDS TO SELLING SHAREHOLDERS |
|----------------|-----------------|-------------------------------------------|------------------------|----------------------------------|
| Per Share..... | \$              | \$                                        | \$                     | \$                               |
| Total(3).....  | \$              | \$                                        | \$                     | \$                               |

- (1) See "Underwriting" for indemnification arrangements.
- (2) Before deducting expenses payable by the Company estimated to be \$560,000.
- (3) The Company and the Selling Shareholders have granted the Underwriters a 30-day option to purchase up to an additional 375,000 and 165,000 shares of Common Stock, respectively, solely to cover over-allotments, if any. If this option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions, Proceeds to Company and Proceeds to Selling Shareholders will be \$ , \$ , \$ and \$ , respectively. The Company will not receive any proceeds from the shares of Common Stock sold by the Selling Shareholders. See "Underwriting" and "Principal and Selling Shareholders."

The shares of Common Stock offered hereby are offered by the several Underwriters named herein, subject to prior sale and acceptance by the Underwriters, and subject to their right to reject any order in whole or in part. It is expected that the Common Stock will be available for delivery on or about , 1997 at the offices of Schroder Wertheim & Co. Incorporated, New York, New York.

SCHRODER WERTHEIM & CO.  
 RAYMOND JAMES & ASSOCIATES, INC.  
 SIMMONS & COMPANY INTERNATIONAL

June , 1997

[GRAPHIC OMITTED]

The UNCLE JOHN is a twin hull DP 254-foot semi-submersible, multi-purpose support vessel ("MSV") capable of providing well intervention services and supporting full field development activities in the Deepwater Gulf of Mexico.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE COMMON STOCK. SPECIFICALLY, THE UNDERWRITERS MAY OVERALLOT IN CONNECTION WITH THE OFFERING, AND MAY BID FOR, AND PURCHASE, SHARES OF THE COMMON STOCK IN THE OPEN MARKET. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

[Schematic depicting the expanse of  
services  
provided by the Company at various  
water depths]

FREQUENTLY USED TERMS:

DEEPWATER. Water depths of greater than 1,000 feet.

DIVING SUPPORT VESSELS ("DSVS"). Subsea services are typically performed with the use of specially constructed DSVs, which provide an above water platform that functions as an operational base for divers, ROVs and specialized equipment.

DYNAMIC POSITIONING ("DP"). A DP system allows a vessel to stay in position without the use of anchors. Satellite based differential global positioning systems ensure the proper counteraction to wind, current and wave forces to maintain position.

REMOTELY OPERATED VEHICLES ("ROVS"). ROVs are robotic vehicles used to complement, support and increase the efficiency of diving and subsea operations and for tasks at depths where the use of divers is impossible.

SATURATION DIVING ("SAT DIVING"). SAT diving, required at water depths greater than 300 feet, involves divers working from special chambers for extended periods at a pressure equivalent to the depth of the work site.

FOR FURTHER INFORMATION ON COMMONLY USED TERMINOLOGY IN THE COMPANY'S INDUSTRY, SEE "BUSINESS -- THE INDUSTRY."

[Schematic Continued]

[GRAPHIC OMITTED]

The BALMORAL SEA is a 259-foot dynamically positioned DSV that has SAT diving and ROV capabilities for subsea construction projects at any water depth.

[GRAPHIC OMITTED]

VERMILION BLOCKS 21/22 are two of 15 natural gas and oil leases acquired by Energy Resource Technology, Inc., providing a back-log of future salvage projects for the Company.

## PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS, INCLUDING THE NOTES THERETO, APPEARING ELSEWHERE IN THIS PROSPECTUS. UNLESS OTHERWISE INDICATED, THE INFORMATION IN THIS PROSPECTUS ASSUMES THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTION WILL NOT BE EXERCISED AND HAS BEEN ADJUSTED TO GIVE EFFECT TO THE ISSUANCE OF 528,541 SHARES TO COFLEXIP, A FRENCH CORPORATION ("COFLEXIP"). UNLESS THE CONTEXT INDICATES OTHERWISE, ANY REFERENCE IN THIS PROSPECTUS TO "CAL DIVE" OR THE "COMPANY" REFERS TO CAL DIVE INTERNATIONAL, INC. AND ITS PREDECESSORS, TOGETHER WITH ITS WHOLLY OWNED SUBSIDIARY, ENERGY RESOURCE TECHNOLOGY, INC. ("ERT").

### THE COMPANY

#### GENERAL

Cal Dive is a leading provider of subsea construction, maintenance and salvage services to the offshore natural gas and oil industry in the U.S. Gulf of Mexico (the "Gulf of Mexico" or the "Gulf"). Its services are primarily performed in support of offshore infrastructure construction projects involving pipelines, production platforms and risers and subsea production systems. Through ERT, Cal Dive acquires and operates mature offshore properties producing natural gas and oil, providing customers a cost effective alternative to the decommissioning process. The Company's customers include major and independent natural gas and oil producers, pipeline transmission companies and offshore engineering and construction firms.

The Company owns a diversified fleet of nine vessels servicing the offshore natural gas and oil industry, principally in the Gulf of Mexico. This market is experiencing strong exploration and development activity levels, including rapid growth for services in the Deepwater Gulf. Beginning in 1995, Cal Dive acted to fill a market void by assembling a fleet of dynamically positioned vessels which serve as work platforms for Deepwater projects. The vessels acquired include a semi-submersible multi-service vessel (UNCLE JOHN) and two mono-hull DP vessels (WITCH QUEEN and BALMORAL SEA). Management believes that the limited number of competing DP vessels in the Gulf affords Cal Dive a key strategic advantage, which has led to rising utilization for its vessels. In addition, interest in the Cal Dive fleet has increased among potential customers and alliance partners evaluating a "fast track" approach to field development.

In the last twelve months, the Company has positioned itself to work on full field development projects by entering into a number of strategic alliances. See "Business -- Strategic Alliances." As part of this strategy, in April 1997, Cal Dive and certain shareholders sold 32% of its Common Stock to Coflexip. The companies agreed to form a joint venture to pursue large Deepwater construction projects in the Gulf (the "Business Cooperation Agreement"). Each company expects to contribute its expertise to the alliance, with Coflexip performing engineering, design, and manufacturing of flexible pipe and Cal Dive providing subsea construction, installation, life of field well services, abandonment and salvage services. See "-- Recent Developments."

The Company traces its origins to California Divers Inc., which pioneered the use of mixed gas diving in the early 1960s when oilfield exploration off the Santa Barbara coast moved to water depths beyond 250 feet. Cal Dive commenced operations in the Gulf of Mexico in 1975. Since that time, the Company's growth strategy has consisted of three basic elements: (i) identifying niche markets that are underserved or where no service exists, (ii) developing the technical expertise to provide the service and (iii) acquiring assets or seeking business alliances which fill the market gap.

This growth strategy has frequently involved expanding beyond the Company's main contracting base and developing innovative service capabilities to meet customer needs, including the following significant milestones:

- o 1984 -- SATURATION VESSELS: Custom designed the first DSVs with moonpool deployed SAT diving systems dedicated for use in the Gulf of Mexico.
- o 1986 -- TURNKEY CONTRACTING: Began providing subsea construction work on a fixed price basis enabling customers to better control project costs.
- o 1989 -- SALVAGE OPERATIONS: Chartered, and later acquired, the CAL DIVE BARGE I ("BARGE I ") for shallow water salvage operations, a business synergistic with the Company's traditional diving services.
- o 1992 -- NATURAL GAS PRODUCTION: Formed a natural gas production company, ERT, to expand customer options for decommissioning and remediation of mature offshore properties and to expand off-season salvage activity.
- o 1993 -- WELL SERVICING: Added a new upstream service, well servicing and plugging and abandoning ("P&A"), as a complement to the Company's salvage services and to exploit the value of ERT properties through enhanced recovery techniques.
- o 1994 -- DYNAMIC POSITIONING: Chartered a DP DSV for use in the Gulf of Mexico, enabling the Company to work through the winter months and in deeper water. This vessel, the BALMORAL SEA, was subsequently acquired in August 1996.
- o 1995 -- DP DSV: Acquired and enhanced a DP DSV, the WITCH QUEEN, to expand the Company's marine construction and subsea services to include flexible pipelay, umbilical lay, coiled line pipe installation, subsea P&A and ROV support.
- o 1996 -- MULTI-SERVICE VESSEL: Acquired and enhanced a semi-submersible MSV, the UNCLE JOHN, as the cornerstone of the Company's Deepwater strategy, thereby expanding its product line to include geotechnical investigation, laying of infield flowlines, installation of flexible and hard jumpers, platform risers and turnkey field development.
- o 1997 -- STRATEGIC ALLIANCES: Formed an alliance with Coflexip which complements other formal alliance agreements with a team of specialty contractors to provide the Company with access to advanced resources and a full range of services for Deepwater construction projects.

#### COMPANY STRENGTHS

##### DIVERSIFIED FLEET OF VESSELS

Cal Dive has focused on owning and operating a diversified fleet which provides a full complement of subsea construction, maintenance, and salvage project capabilities. This fleet enables the Company to operate in all Gulf of Mexico water depths where development is currently contemplated. The services provided by these vessels both overlap and are complementary in a number of market segments, enabling the Company to deploy its DSVs to areas of highest utility and margin potential.

#### EXPERIENCED PERSONNEL AND TURNKEY CONTRACTING

The Company believes its highly qualified personnel enable it to compete effectively in the Gulf's unique "spot market" for offshore construction in which projects are generally of a short duration and of a turnkey nature. The Company's personnel have the technical and operational experience to manage turnkey projects and deliver bids which are priced to achieve targeted profitability. The Company believes these factors position it well to capitalize on the trend in the oil and gas industry towards outsourcing additional responsibility to contractors.

#### DEEPWATER TECHNICAL SERVICES

The Company believes that it has established a unique niche by assembling the specialized assets, technical personnel and exclusive alliance agreements that provide a cost effective solution to the rising demand for Deepwater services. As a result, the Company is able to meet the fast track requirements of Deepwater development projects.

#### MAJOR PROVIDER OF SATURATION DIVING SERVICES

Cal Dive owns and operates over 50% of the U.S. based SAT DSVs currently operating in the Gulf of Mexico. In recent years there has been an increasing level of activity as development of recently discovered Deepwater fields commences and new Deepwater production is tied into the existing Gulf infrastructure. Management believes that this trend will result in increasing demand for SAT diving services.

#### LEADER IN SHALLOW WATER SALVAGE OPERATIONS

Since 1989, the Company has established a leading position in the decommissioning and remediation of facilities in the shallow water Gulf of Mexico. The Company expects the demand for this service to increase due to the significant number of platforms which must be removed in accordance with government regulations.

#### MANAGEMENT OF MATURE NATURAL GAS AND OIL PROPERTIES

Management believes that Cal Dive is the only company acquiring mature properties in the Gulf of Mexico with the combined attributes of financial strength, reservoir engineering and operations expertise and the availability of company-owned salvage assets, resulting in significant strategic and cost advantages. The Company has personnel experienced in geology, reservoir and production engineering and facilities management to support ERT operations, exploit the value of acquired properties and oversee full field development projects.

#### GROWTH STRATEGY

##### FOCUS ON THE GULF OF MEXICO

Cal Dive intends to maintain its current focus on the Gulf of Mexico where the Company is well positioned to respond to rising market demand for services in all water depths, including Deepwater. Recent Gulf of Mexico lease sales by the Minerals Management Service of the Department of the Interior ("MMS") attracted record bidding levels both in terms of the number of leases bid and the amount of capital exposed, including a record level of interest in Deepwater blocks. This has led to new market opportunities as well as increased demand for the Company's traditional services, as reflected in both higher vessel utilization rates and operating margins.

##### CAPTURE A SIGNIFICANT SHARE OF THE DEEPWATER MARKET

As Gulf of Mexico Deepwater developments have created a need for new applications of subsea technology, there is a corresponding need for a new generation of subsea contractor to develop and deploy that technology. Management, through its Deepwater Technical Services Group, has targeted a market niche in which the Company functions as a focal point in the



assembly and delivery of the technology required for Deepwater projects. In particular, the Company believes that well completion, subsea installation and infield connection services have become more critical in an era of limited availability of Deepwater drilling equipment and hardware. The Company's MSV has the capacity to undertake certain well completion activities, thereby reducing cost to the operator and freeing-up more expensive drilling rig time. Cal Dive has also negotiated alliance agreements with a number of specialized contractors to provide a full range of services necessary to Deepwater subsea construction projects. The objective of this strategy is to increase the proportion of the Deepwater field development expenditures captured by Cal Dive while reducing the project duration and overall cost to the operator.

#### CAPITALIZE ON SYNERGIES WITH COFLEXIP

Cal Dive entered into a strategic alliance with Coflexip to strengthen its position in the Deepwater Gulf and to respond to the trend toward full field development services. Management believes that Coflexip and Cal Dive together offer complementary products and services which significantly expand Cal Dive's ability to provide full field development and life of field services. Coflexip is a world leader in the design and manufacture of flexible pipe and umbilicals and is one of the leading subsea construction contractors. Headquartered in Paris, France, Coflexip employs approximately 3,500 employees spread over five continents. In 1996, Coflexip had sales of \$945 million and total assets of \$1.1 billion at year-end.

#### OFFER FULL FIELD DEVELOPMENT SERVICES

Management believes that the significant number of new leases, the number of Deepwater leases due to expire by 2000 and shortages of well completion equipment, drilling rigs and production infrastructure will create demand for fast track, full field development solutions. Cal Dive's recent asset acquisitions and its personnel and technical expertise, combined with strategic alliances, put the Company in a strong competitive position to respond to this market need. In addition, the Company intends to apply the technologies and capabilities developed for the Deepwater to the "midwater" Gulf (500 to 1,000 feet) as a cost effective alternative to fixed platforms.

#### EXPAND THE COMPANY'S NATURAL GAS AND OIL PRODUCTION

Management believes Cal Dive's reputation in the industry and its experience in decommissioning and remediation work make the Company a preferred buyer of mature natural gas and oil properties. The Company intends to exploit its recent experience managing heavy lift salvage to expand the number of mature offshore properties for which the Company will bid. In addition, the Company will continue, on a selective basis, to acquire non-operated working interests in fields where there is the potential of Cal Dive being awarded the salvage work.

#### RECENT DEVELOPMENTS

##### PURCHASE OF STOCK BY COFLEXIP AND BUSINESS COOPERATION AGREEMENT

In April 1997, certain members of management, other shareholders and the Company sold an equity interest of approximately 32% of Company Common Stock to Coflexip for \$35 million. As part of this transaction, the Company also acquired two heavy work class construction ROVs manufactured by Coflexip's Perry Trittech subsidiary, thereby re-establishing ROVs in Cal Dive's product line. Coflexip and Cal Dive also entered into the Business Cooperation Agreement for combined services to be offered on Gulf projects involving engineering, procurement, installation and commissioning services ("EPIC") exceeding \$25 million in value and meeting certain other criteria. The entity contemplated by the Business Cooperation Agreement is expected to be formed in the third quarter of 1997. See "Business -- Coflexip Strategic Alliance."

THE OFFERING

Common Stock offered:

By the Company..... 2,500,000 shares(1)  
By the Selling Shareholders..... 1,100,000 shares(1)  
Total..... 3,600,000 shares(1)

Common Stock outstanding after the

Offering..... 14,127,801 shares(2)

Use of proceeds..... To repay indebtedness incurred in connection with the purchases of the UNCLE JOHN and the BALMORAL SEA, to fund capital improvements to the UNCLE JOHN and other vessels and for the purchase of natural gas and oil properties. Any remaining proceeds will be used for general corporate purposes, including the possible purchase of additional vessels. The Company will not receive any proceeds from the sale of Common Stock by the Selling Shareholders. See "Use of Proceeds."

Proposed Nasdaq National Market

symbol..... CDIS

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(1) Does not include 540,000 shares which may be sold by the Company and Selling Shareholders pursuant to the Underwriters' over-allotment option. See "Principal and Selling Shareholders" and "Underwriting."

(2) Does not include 911,500 shares issuable upon exercise of outstanding options. See "Management -- Compensation Pursuant to Plans."

SUMMARY HISTORICAL FINANCIAL AND OPERATING DATA

The following summary financial and operating data is qualified in its entirety by the more detailed information appearing in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements, including the notes thereto, appearing elsewhere in this Prospectus.

|                                                  | YEAR ENDED DECEMBER 31, |           |           | THREE MONTHS<br>ENDED MARCH 31, |           |
|--------------------------------------------------|-------------------------|-----------|-----------|---------------------------------|-----------|
|                                                  | 1994                    | 1995      | 1996      | 1996                            | 1997      |
| (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) |                         |           |           |                                 |           |
| <b>INCOME STATEMENT DATA:</b>                    |                         |           |           |                                 |           |
| Revenues:                                        |                         |           |           |                                 |           |
| Subsea and salvage.....                          | \$ 35,718               | \$ 32,748 | \$ 63,870 | \$ 8,715                        | \$ 13,588 |
| Natural gas and oil<br>production.....           | 2,314                   | 4,777     | 12,252    | 2,470                           | 4,856     |
| Total revenue.....                               | 38,032                  | 37,525    | 76,122    | 11,185                          | 18,444    |
| Gross profit.....                                | 10,961                  | 8,849     | 22,086    | 3,148                           | 5,423     |
| Operating income.....                            | 6,304                   | 3,917     | 13,795    | 1,701                           | 3,207     |
| Income before taxes.....                         | 5,807                   | 3,721     | 13,014    | 1,626                           | 2,876     |
| Net income.....                                  | 4,034                   | 2,674     | 8,435     | 1,157                           | 1,885     |
| Net income per share.....                        | \$ 0.46                 | \$ 0.24   | \$ 0.75   | \$ 0.10                         | \$ 0.17   |
| <b>OTHER DATA:</b>                               |                         |           |           |                                 |           |
| Net cash provided by (used in):                  |                         |           |           |                                 |           |
| Operating activities.....                        | \$ 857                  | \$ 11,995 | \$ 7,645  | \$ (677)                        | \$ 10,054 |
| Investing activities.....                        | (3,049)                 | (19,584)  | (27,300)  | (674)                           | (3,148)   |
| Financing activities.....                        | 291                     | 7,475     | 19,700    | 1,300                           | (6,000)   |
| EBITDA(1).....                                   | 8,252                   | 6,650     | 19,017    | 2,635                           | 5,039     |
| Depreciation and amortization.....               | 2,017                   | 2,795     | 5,257     | 944                             | 1,845     |
| Capital expenditures.....                        | 1,397                   | 16,857    | 27,290    | 592                             | 3,017     |
| (DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) |                         |           |           |                                 |           |
| <b>OPERATING DATA:</b>                           |                         |           |           |                                 |           |
| Number of Vessels (at end of<br>period):         |                         |           |           |                                 |           |
| DP MSV.....                                      | 0                       | 0         | 1         | 0                               | 1         |
| DP DSVs.....                                     | 1                       | 2         | 2         | 2                               | 2         |
| DSVs.....                                        | 5                       | 5         | 5         | 5                               | 5         |
| Derrick barge.....                               | 1                       | 1         | 1         | 1                               | 1         |
| Total Vessels.....                               | 7                       | 8         | 9         | 8                               | 9         |
| Natural Gas and Oil Properties:                  |                         |           |           |                                 |           |
| Producing properties<br>acquired.....            | 2                       | 7         | 5         | 0                               | 0         |
| Total properties.....                            | 2                       | 9         | 14        | 9                               | 14        |
| Natural Gas and Oil Production:                  |                         |           |           |                                 |           |
| Gas (MMcf).....                                  | 1,250                   | 2,382     | 4,310     | 870                             | 1,519     |
| Oil (MBbls).....                                 | 29                      | 33        | 38        | 16                              | 10        |

(1) As used herein, EBITDA represents earnings before net interest expense, taxes, depreciation and amortization. EBITDA is frequently used by security analysts and is presented here to provide additional information about the Company's operations. EBITDA should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a better measure of liquidity.

AS OF  
MARCH 31, 1997

|        | AS<br>ADJUSTED(1) |
|--------|-------------------|
| ACTUAL | ADJUSTED(1)       |

(IN THOUSANDS)

BALANCE SHEET DATA:

|                                |          |           |
|--------------------------------|----------|-----------|
| Cash and cash equivalents..... | \$ 1,109 | \$ 11,834 |
| Working capital.....           | 8,575    | 19,300    |
| Total assets.....              | 76,735   | 92,460    |
| Long-term debt.....            | 19,000   | --        |
| Shareholders' equity.....      | 32,728   | 67,453    |

(1) Adjusted to give effect to (i) the Coflexip transaction and (ii) the issuance of the Common Stock offered hereby and the application of the net proceeds to the Company therefrom. See "Use of Proceeds."

SUMMARY NATURAL GAS AND OIL RESERVE DATA

The following table sets forth summary data with respect to the Company's estimated proved natural gas and oil reserves and related estimated future net revenue at December 31, 1996, and is based upon the report of Miller & Lents, Ltd. ("Miller & Lents"), independent petroleum engineers. For additional information relating to the Company's natural gas and oil reserves, see "Risk Factors -- Uncertainty of Estimates of Oil and Gas Reserves" and "Business -- Natural Gas and Oil Operations" and the Supplemental Information on Oil and Gas Exploration and Producing Activities included in Note 11 of the notes to Financial Statements included elsewhere in this Prospectus.

TOTAL PROVED(1)  
-----  
(DOLLARS IN THOUSANDS)

|                                                                           |           |
|---------------------------------------------------------------------------|-----------|
| Estimated Proved Reserves:                                                |           |
| Natural Gas (MMcf).....                                                   | 24,596    |
| Oil and Condensate (MBbls).....                                           | 124       |
| Future net cash flows before income taxes.....                            | \$ 58,781 |
| Present value of estimated future net cash flows before income taxes..... | \$ 48,703 |
| Standardized measure of discounted future net cash flows (2).....         | \$ 33,805 |

(1) In May 1997, ERT sold two properties which represented approximately 5% of the Estimated Proved Reserves at December 31, 1996.

(2) The standardized measure of discounted future net cash flows attributable to the Company's reserves was prepared using constant prices as of the calculation date, discounted at 10% per annum.

## RISK FACTORS

AN INVESTMENT IN THE COMMON STOCK OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS.

### INDUSTRY VOLATILITY

The Company's subsea and abandonment activities depend on offshore natural gas and oil exploration, development and production expenditures, which are dependent on natural gas and oil prices. The level of exploration and development activity has traditionally been volatile as a result of fluctuations in natural gas and oil prices and their uncertainty in the future. A significant or prolonged reduction in natural gas or oil prices in the future would likely depress offshore drilling and development activity, reduce the demand for the Company's services and could have a material adverse effect on the Company's financial condition and results of operations. See "Business -- The Industry" and "Business -- Natural Gas and Oil Operations."

### VESSEL OPERATING RISKS AND LIMITATION OF INSURANCE COVERAGE

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. Litigation arising from such an occurrence may result in lawsuits asserting large claims. The Company maintains such insurance protection as it deems prudent, including hull insurance on its vessels. There can be no assurance that any such insurance will be sufficient or effective under all circumstances or against all hazards to which the Company may be subject. A successful claim for which the Company is not fully insured could have a material adverse effect on the Company. Moreover, no assurance can be given that the Company will be able to maintain adequate insurance in the future at rates that it considers reasonable. See "Business -- Insurance and Litigation."

### SEASONALITY AND ADVERSE WEATHER RISKS

Marine operations conducted in the Gulf of Mexico are seasonal and depend, in part, on weather conditions. Historically, Cal Dive has enjoyed its highest vessel utilization rates during the third and fourth quarters of the year when weather conditions are favorable for offshore exploration, development and construction activities and has experienced its lowest utilization rates in the first quarter. Between April 15 and October 15, the Company typically bears the risk of delays caused by adverse weather conditions other than those resulting from named tropical storms. Accordingly, the results of any one quarter are not necessarily indicative of annual results or continuing trends. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

### CONTRACT BIDDING AND ALLIANCE RISKS

A majority of the Company's projects are currently performed on a qualified turnkey basis. The revenue, costs and gross profit realized on a 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 the Company experiencing reduced profitability or losses on projects. Although the Company has entered into a number of strategic alliances, there can be no assurance that these alliances will be successful or that contracts resulting from these alliances will not result in unforeseen operational difficulties. In addition, the Company intends to enter into a joint venture with Coflexip. Since the proposed joint venture is in

its early stages, the number of projects, if any, and the benefits to the Company's business prospects and financial condition from the joint venture are uncertain.

#### UNCERTAINTY OF ESTIMATES OF NATURAL GAS AND OIL RESERVES

This Prospectus contains an estimate of the Company's proved natural gas and oil reserves and the estimated future net cash flows therefrom based upon a report prepared as of December 31, 1996 by Miller & Lents that relies upon various assumptions, including assumptions required by the Securities and Exchange Commission (the "Commission") as to natural gas and oil prices, drilling and operating expenses, capital expenditures, 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, such estimates are inherently imprecise. Actual future production, cash flows, development expenditures, operating expenses and quantities of recoverable natural gas and oil reserves may vary substantially from those estimated in the report. Any significant variance in these assumptions could materially affect the estimated quantity and value of reserves set forth in this Prospectus. See "Business -- Natural Gas and Oil Operations."

#### NATURAL GAS AND OIL OPERATING RISKS

The Company's natural gas and oil operations are subject to the usual risks incident to the operation of natural gas and oil wells, including with respect to offshore properties, the additional hazards relating to, or loss from, severe weather. In accordance with industry practice, the Company maintains insurance against some, but not all, of the risks described above. See "Business -- Insurance and Litigation."

#### COMPETITION

The business in which the Company operates is highly competitive. Several of the Company's competitors are companies that are substantially larger and have greater financial and other resources than the Company. If other international companies relocate vessels to the Gulf of Mexico, levels of competition may increase and the Company's business could be adversely affected. See "Business -- Competition."

#### CUSTOMER CONCENTRATION

The Company's customers consist primarily of major, well-established oil and pipeline companies and independent oil and gas producers. During 1996, the Company derived approximately 24% of its contract revenue from one customer. During the three months ended March 31, 1997, that same customer accounted for 7% of the Company's consolidated revenue. While the Company currently has a good relationship with its customers, the loss of any one of its largest customers, or a sustained decrease in demand, could result in a substantial loss of revenues and could have a material adverse effect on the Company's operating performance. See "Business -- Customers."

#### DEPENDENCE ON KEY PERSONNEL

The Company's success depends on the continued active participation of key management personnel. The loss of key people could adversely affect the Company's operations. The Company has two-year employment and non-compete agreements with each of Messrs. Owen Kratz, Gerald G. Reuhl and S. James Nelson and six of its senior officers. The Company has also obtained and is the sole beneficiary under key person life insurance policies with Messrs. Kratz and Reuhl, each in the amount of \$6 million. The Company believes that its success is also dependent upon its ability to employ and retain skilled personnel. See "Management."

## REGULATORY AND ENVIRONMENTAL MATTERS

The Company's subsea construction, inspection, maintenance, salvage, and abandonment operations and its natural gas and oil production from offshore 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 and there can be no assurance that continued compliance with existing or future laws or regulations will not adversely affect the operations of the Company. Significant fines and penalties may be imposed for non-compliance. See "Business -- Government Regulation" and "Business -- Environmental Regulations."

## ABSENCE OF A PRIOR PUBLIC TRADING MARKET; POSSIBLE VOLATILITY OF MARKET PRICE; DILUTION

Prior to this Offering, there has been no public market for the Common Stock. Although the Company has applied for quotation of the shares of Common Stock offered hereby on the Nasdaq National Market, there can be no assurance that an active public market will develop or be maintained for the Common Stock. The initial public offering price will be determined by negotiations among the Company, the Selling Shareholders and the Underwriters. For the factors considered in such negotiations, see "Underwriting." There can be no assurance that future market prices will equal or exceed the initial public offering price set forth on the cover page of this Prospectus. Following this Offering, the market price of the Common Stock may fluctuate depending on various factors, including the general economy, stock market conditions, general trends in the oilfield services industry, announcements by the Company or its competitors and variations in the Company's quarterly and annual operating results. Purchasers of the Common Stock offered hereby will experience an immediate and substantial dilution in the net tangible book value of their shares of \$8.26 per share. In addition, to the extent equity financing is pursued by the Company in connection with the acquisition or building of additional vessels, dilution may occur to investors. See "Dilution."

## VOTING CONTROL BY PRINCIPAL SHAREHOLDERS

After giving effect to this Offering, the current shareholders of the Company will own approximately 74.5% of the outstanding Common Stock (71.5% if the Underwriters' over-allotment option is exercised in full). The current shareholders are parties to a shareholders agreement which, among other things, provides for the election of directors. As a result, the current shareholders may be able to control the outcome of certain matters requiring a shareholder vote, including the election of directors. See "Business -- Coflexip Strategic Alliance," "Certain Relationships and Related Transactions" and "Principal and Selling Shareholders."

## ABSENCE OF DIVIDENDS

The Company has never paid cash dividends on its Common Stock and intends for the foreseeable future to retain any earnings otherwise available for dividends for the future operation and growth of the Company's business. In addition, the Company's financing arrangements prohibit the payment of cash dividends on its capital stock. See "Dividend Policy."

## SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, the current shareholders, directors and officers of the Company will beneficially own 10,527,801 shares of the Common Stock, which will represent approximately 74.5% of the then issued and outstanding shares (71.5% if the Underwriters' over-allotment option is exercised in full). The Company, Gerald G. Reuhl, Owen Kratz and S. James Nelson, the directors, the Selling Shareholders, and Coflexip have agreed with the Underwriters not to offer, sell or otherwise dispose of any shares of Common Stock for 180 days from the date of this Prospectus without the prior consent of the Representatives of the Underwriters. After the expiration of such agreement, however, such shareholders may sell shares pursuant to Rule 144

under the Securities Act of 1933, as amended (the "Securities Act"), or otherwise. In addition, the current shareholders, including Coflexip, have been granted demand and "piggyback" registration rights by the Company with respect to all of the shares of Common Stock owned by them. Although the Company cannot predict the timing or amount of future sales of Common Stock or the effect that the availability of such shares for sale will have on the market price prevailing from time to time, sales of substantial amounts of Common Stock in the public market following this Offering could adversely affect the market price of the Common Stock. See "Principal and Selling Shareholders," "Description of Capital Stock -- Registration Rights" and "Shares Eligible for Future Sale."

#### ANTI-TAKEOVER CONSIDERATIONS

The Board of Directors of the Company has the authority, without any action by the 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, the Company's Articles of Incorporation divide the Company's Board of Directors into three classes. Except for a transaction involving Coflexip (which is specifically excluded), the Company also is subject to certain anti-takeover provisions of the Minnesota Business Corporations Act ("MBCA"). In addition, the Company is a party to a Shareholders Agreement that provides Coflexip with a right of first refusal in connection with certain acquisition proposals for the Company. 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 of the Company, 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. See "Description of Capital Stock -- Certain Anti-Takeover Provisions" and "Certain Relationships and Related Transactions."



## THE COMPANY

Cal Dive is a leading provider of subsea construction, maintenance and salvage services to the offshore natural gas and oil industry in the Gulf of Mexico. In July 1990, the Company was purchased by a group of investors including current management and key employees. In September 1992, Cal Dive formed ERT as a wholly owned subsidiary, to purchase producing offshore natural gas and oil properties which are in the later stages of their economic lives. In January 1995, First Reserve Corporation ("First Reserve"), and certain of the investment funds it manages, together acquired 50% of the Company's Common Stock. In April 1997, Coflexip purchased approximately 32% of the Company's Common Stock. Most of the Company's senior and middle operations management have been actively involved with Cal Dive since the mid-1980s.

The Company was organized under the laws of Minnesota in June 1990. The principal executive offices of the Company are located at 13430 Northwest Freeway, Suite 350, Houston, Texas 77040, and its telephone number is (713) 690-1818.

## USE OF PROCEEDS

The net proceeds from the sale of the shares of Common Stock offered by the Company (assuming an initial public offering price of \$13.00 per share) will be approximately \$29.7 million (\$34.3 million if the Underwriters' over-allotment option is exercised in full). Of such net proceeds, the Company intends to repay indebtedness incurred in connection with the purchase of the UNCLE JOHN and the BALMORAL SEA (\$19,000,000), to fund capital improvements to the UNCLE JOHN and other vessels (\$3,500,000) and for the purchase of natural gas and oil properties (\$4,300,000). Any remaining net proceeds will be used for other general corporate purposes and the possible purchase of additional vessels. Pending such uses, the Company intends to invest the net proceeds of this Offering in short-term investment grade, interest bearing securities. As of March 31, 1997, borrowings under the Company's Amended Loan and Security Agreement with Fleet Capital Corporation (the "Revolving Credit Agreement") which matures in December 2000, had an aggregate outstanding principal balance of \$19 million, bearing interest at the rate of 7.44% (Eurodollar option). In April 1997, the Company and Fleet Capital Corporation amended the Revolving Credit Agreement to, among other things, (i) increase the credit line to \$40 million, (ii) reduce the interest rate, (iii) release liens on ERT properties, (iv) reduce the financial covenants from four to one (a fixed charge coverage ratio) and (v) limit total debt to \$60 million. The Company will not receive any of the proceeds from the sale of shares of Common Stock by the Selling Shareholders. See "Principal and Selling Shareholders" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

## DIVIDEND POLICY

The Company has never paid cash dividends on its Common Stock and does not intend to pay cash dividends in the foreseeable future. The Company currently intends to retain earnings, if any, for the future operation and growth of its business. In addition, the Company's financing arrangements prohibit the payment of cash dividends on its capital stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

DILUTION

The net tangible book value of the Company at March 31, 1997, was \$32,298,000 or \$2.91 per share of Common Stock. Net tangible book value per share of Common Stock is determined by dividing the tangible net worth (total tangible assets less total liabilities) of the Company by the 11,099,260 shares of Common Stock outstanding prior to the consummation of this Offering and the Coflexip transaction. After giving effect to the sale of Common Stock by the Company in the Coflexip transaction and in this Offering (assuming no exercise of the Underwriters' over-allotment option and net proceeds to the Company of \$29,725,000), the pro forma net tangible book value of the Company at March 31, 1997, would have been approximately \$67,023,000 or \$4.74 per share of Common Stock. This represents an immediate increase in net tangible book value of \$1.83 per share of Common Stock to present holders of Common Stock and an immediate dilution of approximately \$8.26 per share to new investors purchasing shares in this Offering. The following table illustrates this per share dilution to new investors:

|                                                                     |          |
|---------------------------------------------------------------------|----------|
| Assumed initial public offering price per share.....                | \$ 13.00 |
| Net tangible book value per share before the Offering.....          | \$ 2.91  |
| Increase per share attributable to new investors.....               | 1.83     |
| Pro forma net tangible book value per share after the Offering..... | 4.74     |
|                                                                     | -----    |
| Dilution per share to new investors.....                            | \$ 8.26  |
|                                                                     | =====    |

The following table sets forth, as of March 31, 1997, the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid by the existing shareholders and by new investors:

|                               | SHARES PURCHASED |         | TOTAL CONTRIBUTION |         | AVERAGE PRICE PER SHARE |
|-------------------------------|------------------|---------|--------------------|---------|-------------------------|
|                               | NUMBER           | PERCENT | AMOUNT             | PERCENT |                         |
| Existing shareholders(1)..... | 11,627,801       | 82.3    | \$ 10,037,509      | 23.6    | \$ .86                  |
| New investors.....            | 2,500,000        | 17.7    | 32,500,000         | 76.4    | \$ 13.00                |
|                               | -----            | -----   | -----              | -----   | -----                   |
| Total.....                    | 14,127,801       | 100.0   | \$ 42,537,509      | 100.0   |                         |
|                               | =====            | =====   | =====              | =====   |                         |

(1) Includes the issuance of 528,541 shares of Common Stock to Coflexip at a value of \$9.46 per share on April 11, 1997.

The above computations do not give effect to the 911,500 shares issuable pursuant to outstanding stock options, all of which are exercisable at exercise prices ranging from \$4.50 to \$9.50 per share. To the extent any options are exercised in the future at an exercise price less than the initial public offering price, there will be further dilution to new investors. See "Management -- Compensation Pursuant to Plans."

CAPITALIZATION

The following table sets forth the capitalization of the Company (i) as of March 31, 1997, and (ii) as adjusted to give effect to the sale by the Company of the 2,500,000 shares of Common Stock offered hereby at an assumed offering price of \$13.00 per share and the application of the estimated net proceeds to the Company therefrom as described in "Use of Proceeds." This table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's Financial Statements and notes thereto included elsewhere in this Prospectus.

|                                                                                                                                                                      | MARCH 31, 1997         |                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------------|
|                                                                                                                                                                      | ACTUAL                 | AS<br>ADJUSTED(1) |
|                                                                                                                                                                      | -----                  | -----             |
|                                                                                                                                                                      | (DOLLARS IN THOUSANDS) |                   |
| Short-term debt:                                                                                                                                                     |                        |                   |
| Current maturities of long-term debt.....                                                                                                                            | \$ --                  | \$ --             |
|                                                                                                                                                                      | =====                  | =====             |
| Long-term debt.....                                                                                                                                                  | 19,000                 | --                |
| Shareholders' equity:                                                                                                                                                |                        |                   |
| Preferred Stock, \$.01 par value, 5,000,000 shares authorized; none issued and outstanding.....                                                                      | --                     | --                |
| Common Stock, no par value, 20,000,000 shares authorized(1); 18,448,010 shares issued and outstanding; 20,948,010 shares issued and outstanding, as adjusted(2)..... | 9,093                  | 43,514            |
| Additional paid-in capital.....                                                                                                                                      | --                     | --                |
| Retained earnings.....                                                                                                                                               | 27,691                 | 27,691            |
| Treasury Stock, 7,348,750 shares and 6,820,209 shares.....                                                                                                           | (4,056)                | (3,752)           |
|                                                                                                                                                                      | -----                  | -----             |
| Total shareholders' equity....                                                                                                                                       | 32,728                 | 67,453            |
|                                                                                                                                                                      | -----                  | -----             |
| Total capitalization.....                                                                                                                                            | \$ 51,728              | \$ 67,453         |
|                                                                                                                                                                      | =====                  | =====             |
| Total debt to total capitalization (%).....                                                                                                                          | 37%                    | 0%                |

(1) In April 1997, the Company amended its Articles of Incorporation to, among other things, increase the number of authorized shares of Common Stock to 60,000,000 shares.

(2) Gives effect to the application of the (i) issuance of 528,541 shares of Common Stock to Coflexip at a value of \$9.46 per share on April 11, 1997 and (ii) net proceeds of this Offering, but does not include an aggregate of 911,500 shares of Common Stock issuable upon exercise of outstanding stock options. See "Management -- Compensation Pursuant to Plans."

SELECTED FINANCIAL DATA

The historical financial data presented in the table below for and at the end of each of the years in the five-year period ended December 31, 1996 are derived from the consolidated financial statements of the Company audited by Arthur Andersen LLP, independent public accountants. The historical financial data presented in the table below for and at the end of each of the three-month periods ended March 31, 1997 and March 31, 1996 are derived from the unaudited consolidated condensed financial statements of the Company. In the opinion of management of the Company, such unaudited consolidated condensed financial statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial data for such periods. The results for the three months ended March 31, 1997 and 1996 are not necessarily indicative of the results to be achieved for the full year. The data should be read in conjunction with the Company's Financial Statements and the notes thereto included elsewhere in this Prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

|                                                           | YEAR ENDED DECEMBER 31,                  |           |           |           |           | THREE MONTHS ENDED MARCH 31, |           |
|-----------------------------------------------------------|------------------------------------------|-----------|-----------|-----------|-----------|------------------------------|-----------|
|                                                           | 1992                                     | 1993      | 1994      | 1995      | 1996      | 1996                         | 1997      |
|                                                           | -----                                    |           |           |           |           | -----                        |           |
|                                                           | (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) |           |           |           |           | (UNAUDITED)                  |           |
| <b>INCOME STATEMENT DATA:</b>                             |                                          |           |           |           |           |                              |           |
| <b>Revenues:</b>                                          |                                          |           |           |           |           |                              |           |
| Subsea and salvage.....                                   | \$ 21,309                                | \$ 35,365 | \$ 35,718 | \$ 32,748 | \$ 63,870 | \$ 8,715                     | \$ 13,588 |
| Natural gas and oil production.....                       | --                                       | 1,807     | 2,314     | 4,777     | 12,252    | 2,470                        | 4,856     |
| Total revenue.....                                        | 21,309                                   | 37,172    | 38,032    | 37,525    | 76,122    | 11,185                       | 18,444    |
| <b>Cost of sales:</b>                                     |                                          |           |           |           |           |                              |           |
| Subsea and salvage.....                                   | 16,973                                   | 26,208    | 25,477    | 25,568    | 46,766    | 6,636                        | 10,780    |
| Natural gas and oil.....                                  | --                                       | 587       | 1,594     | 3,108     | 7,270     | 1,401                        | 2,241     |
| Gross profit.....                                         | 4,336                                    | 10,377    | 10,961    | 8,849     | 22,086    | 3,148                        | 5,423     |
| Selling and administrative expenses..                     | 3,136                                    | 4,075     | 4,657     | 4,932     | 8,291     | 1,447                        | 2,216     |
| Operating income.....                                     | 1,200                                    | 6,302     | 6,304     | 3,917     | 13,795    | 1,701                        | 3,207     |
| <b>Other income and expenses:</b>                         |                                          |           |           |           |           |                              |           |
| Interest expense, net.....                                | 344                                      | 395       | 428       | 135       | 745       | 65                           | 318       |
| Other (income) expense, net.....                          | (159)                                    | 148       | 69        | 61        | 36        | 10                           | 13        |
| Income before income taxes.....                           | 1,015                                    | 5,759     | 5,807     | 3,721     | 13,014    | 1,626                        | 2,876     |
| Provision for income taxes.....                           | 324                                      | 1,811     | 1,773     | 1,047     | 4,579     | 469                          | 991       |
| Net income.....                                           | \$ 691                                   | \$ 3,948  | \$ 4,034  | \$ 2,674  | \$ 8,435  | \$ 1,157                     | \$ 1,885  |
| Net income per share.....                                 | \$ 0.04                                  | \$ 0.30   | \$ 0.46   | \$ 0.24   | \$ 0.75   | \$ 0.10                      | \$ 0.17   |
| <b>Weighted average number of shares outstanding.....</b> |                                          |           |           |           |           |                              |           |
|                                                           | 16,603                                   | 13,014    | 8,836     | 11,016    | 11,286    | 11,279                       | 11,272    |
| <b>OTHER FINANCIAL DATA:</b>                              |                                          |           |           |           |           |                              |           |
| <b>Net cash provided by (used in):</b>                    |                                          |           |           |           |           |                              |           |
| Operating activities.....                                 | \$ 2,073                                 | \$ 4,944  | \$ 857    | \$ 11,995 | \$ 7,645  | \$ (677)                     | \$ 10,054 |
| Investing activities.....                                 | (75)                                     | (1,803)   | (3,049)   | (19,584)  | (27,300)  | (674)                        | (3,148)   |
| Financing activities.....                                 | (1,516)                                  | (2,283)   | 291       | 7,475     | 19,700    | 1,300                        | (6,000)   |
| EBITDA(1).....                                            | 2,597                                    | 7,637     | 8,252     | 6,650     | 19,017    | 2,635                        | 5,039     |
| Depreciation and amortization.....                        | 1,238                                    | 1,483     | 2,017     | 2,795     | 5,257     | 944                          | 1,845     |
| Capital expenditures.....                                 | 460                                      | 1,203     | 1,397     | 16,857    | 27,290    | 592                          | 3,017     |
|                                                           | -----                                    |           |           |           |           | -----                        |           |
|                                                           | (IN THOUSANDS)                           |           |           |           |           | (UNAUDITED)                  |           |
| <b>BALANCE SHEET DATA:</b>                                |                                          |           |           |           |           |                              |           |
| Working capital.....                                      | \$ 4,178                                 | \$ 5,309  | \$ 6,052  | \$ 4,033  | \$ 13,409 | \$ 8,575                     |           |
| Total assets.....                                         | 20,251                                   | 22,798    | 28,633    | 44,859    | 83,056    | 76,735                       |           |
| Long-term debt.....                                       | 2,922                                    | 5,141     | 3,766     | 5,300     | 25,000    | 19,000                       |           |
| Shareholders' equity.....                                 | 7,436                                    | 6,360     | 10,394    | 22,408    | 30,844    | 32,728                       |           |

(1) As used herein, EBITDA represents earnings before net interest expense, taxes, depreciation and amortization. EBITDA is frequently used by security analysts and is presented here to provide additional information about the Company's operations. EBITDA should not be considered as an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a better measure of liquidity.

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

OVERVIEW

Natural gas and oil prices, the offshore mobile rig count and Gulf of Mexico lease activity are three of the primary indicators management uses to predict the level of the Company's business. Cal Dive's construction services generally follow successful drilling activities by six to eighteen months. The level of drilling activity is related to both short and long-term trends in natural gas and oil prices. A decline in natural gas and oil prices generally leads to a reduction in offshore drilling activity which can lower demand for construction services. Recently, this relationship has been less pronounced due to a number of industry trends, including advances in technology that have increased drilling success rates and efficiency, and a worldwide growth in the demand for both natural gas and oil. The number of offshore rigs working in the Gulf of Mexico has averaged close to practical full utilization since mid-1995 which management expects will lead to increased construction activity over the next several years. Given worldwide shortages of drilling rigs, subsea hardware and experienced personnel, efforts to drill Gulf of Mexico leases on a timely basis have accelerated demand for the Company's subsea services resulting in improved pricing.

Product prices impact the Company's natural gas and oil operations in several respects. The Company seeks to acquire producing natural gas and oil properties that are generally in the later stages of their economic life. These properties typically have few, if any, unexplored drilling locations, so the potential abandonment liability is a significant consideration with respect to the offshore properties which the Company has purchased to date. Although higher natural gas prices tended to reduce the number of mature properties available for sale, these higher prices contributed to improved operating results for the Company in 1996 and in the first quarter of 1997.

Salvage operations consist of platform decommissioning, removal and abandonment, P&A services performed by the Company's stiff-leg derrick barge and well servicing equipment. In addition, salvage related support, such as debris removal and preparation of platform legs for removal, is often provided by the Company's surface diving vessels. In 1989, management targeted platform removal and salvage operations as a regulatory driven activity which offers a partial hedge against fluctuations in the commodity price of natural gas. In particular, MMS regulations require removal of platforms within one year from the date production ceases and also require remediation of the seabed at the well site to its original state. In 1996, the Company contracted and managed, on a turnkey basis, all aspects of the decommissioning and abandonment of certain fields for two major oil companies using third party heavy lift derrick barges, a service the Company intends to expand in the future.

The following table sets forth for the periods presented (i) average U.S. natural gas prices, (ii) the Company's natural gas production, (iii) the average number of offshore rigs under contract in the Gulf of Mexico, (iv) the number of platforms installed and removed in the Gulf of Mexico and (v) the vessel utilization rates for each of the major categories of the Company's fleet.

|                                                   | 1994    |         |         |         | 1995    |         |         |         |
|---------------------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
|                                                   | Q1      | Q2      | Q3      | Q4      | Q1      | Q2      | Q3      | Q4      |
| U.S. Natural Gas Prices(1).....                   | \$ 2.27 | \$ 1.89 | \$ 1.67 | \$ 1.54 | \$ 1.46 | \$ 1.57 | \$ 1.47 | \$ 1.98 |
| ERT Gas Production (MMcf).....                    | 138     | 352     | 409     | 351     | 241     | 481     | 865     | 795     |
| Rigs Under Contract in the Gulf of Mexico(2)..... | 125     | 131     | 134     | 141     | 119     | 131     | 143     | 148     |
| Platform Installations(3).....                    | 12      | 23      | 39      | 50      | 12      | 17      | 26      | 22      |
| Platform Removals(3).....                         | 18      | 28      | 43      | 32      | 14      | 36      | 23      | 10      |
| Average Company Vessel Utilization Rate(4).....   |         |         |         |         |         |         |         |         |
| Dynamic Positioned.....                           | --      | --      | 80%     | 99%     | 77%     | --      | --      | 90%     |
| Saturation DSV.....                               | 37%     | 57%     | 82%     | 89%     | 38%     | 53%     | 88%     | 88%     |
| Surface Diving.....                               | 57%     | 68%     | 78%     | 66%     | 45%     | 63%     | 77%     | 74%     |
| Derrick Barge.....                                | 14%     | 70%     | 60%     | 55%     | 21%     | 46%     | 63%     | 32%     |
|                                                   |         |         |         |         |         |         |         |         |
|                                                   | 1996    |         |         |         | 1997    |         |         |         |
|                                                   | Q1      | Q2      | Q3      | Q4      | Q1      |         |         |         |
| U.S. Natural Gas Prices(1).....                   | \$ 3.16 | \$ 2.37 | \$ 2.15 | \$ 2.81 | \$ 2.67 |         |         |         |
| ERT Gas Production (MMcf).....                    | 970     | 918     | 1,169   | 1,253   | 1,519   |         |         |         |
| Rigs Under Contract in the Gulf of Mexico(2)..... | 149     | 156     | 161     | 164     | 165     |         |         |         |
| Platform Installations(3).....                    | 12      | 35      | 31      | 30      | 16      |         |         |         |
| Platform Removals(3).....                         | 11      | 11      | 25      | 30      | 3       |         |         |         |
| Average Company Vessel Utilization Rate(4).....   |         |         |         |         |         |         |         |         |
| Dynamic Positioned.....                           | 81%     | 71%     | 82%     | 92%     | 60%     |         |         |         |
| Saturation DSV.....                               | 55%     | 73%     | 82%     | 88%     | 58%     |         |         |         |
| Surface Diving.....                               | 62%     | 77%     | 85%     | 74%     | 53%     |         |         |         |
| Derrick Barge.....                                | 16%     | 57%     | 91%     | 65%     | 22%     |         |         |         |

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

(2) Average weekly 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 of Mexico.

(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.

Vessel utilization is historically lower during the first quarter due to winter weather conditions in the Gulf of Mexico. Accordingly, the Company plans its drydock inspections and other routine and preventive maintenance programs during this period. During the first quarter, a substantial number of the Company's customers finalize capital budgets and solicit bids for construction projects. The bid and award process during the first two quarters leads to the commencement of construction activities during the second and third quarters. As a result, the Company has historically generated approximately 60 to 65% of its consolidated revenues in the last six months of the year. The Company's operations can also be severely impacted by weather during the fourth quarter. The Company's salvage barge, which has a shallow draft, is particularly sensitive to adverse weather conditions, and its utilization rate will be lower during such periods. To minimize the impact of weather conditions on the Company's operations and financial condition, Cal Dive began operating DP vessels and expanded into the acquisition of mature offshore properties. The unique station-keeping ability offered by dynamic positioning enables these vessels to operate throughout the winter months and in rough seas. Operation of natural gas and oil properties tends to offset the impact of weather since the first and fourth quarters are typically periods of high demand for natural gas and of strong natural gas prices.

## RESULTS OF OPERATIONS

### COMPARISON OF THREE MONTHS ENDED MARCH 31, 1997 AND 1996

**REVENUES.** During the three months ended March 31, 1997, the Company's revenues increased 65% to \$18.4 million compared to \$11.2 million for the three months ended March 31, 1996, primarily due to the addition of new DP vessels and five new offshore properties. The additions of the BALMORAL SEA and UNCLE JOHN and improved pricing increased revenues from the DP vessels to \$8.2 million for the three months ended March 31, 1997, from \$3.6 million for the comparable period last year. Stronger market conditions in 1997 for the DP vessels, surface air diving and the supply boats, offset the fact that six vessels were out of service a combined 35 weeks during the first quarter of 1997 for regulatory inspections, preventive maintenance and/or vessel upgrades. Specifically, the CAL DIVER II, CAL DIVER III, CAL DIVER V and BARGE I underwent major U.S. Coast Guard drydock inspections; Det Norske Veritas conducted an inspection of the BALMORAL SEA while an engine was rebuilt; and the UNCLE JOHN completed a major upgrade program (including installation of a derrick). As a result of this significant 1997 maintenance, program utilization of the vessel fleet was generally lower than the first quarter of 1996.

Natural gas and oil production from 14 offshore properties owned at March 31, 1997, was \$4.9 million for the three months ended March 31, 1997, as compared to \$2.5 million for the same period last year. This increase of \$2.4 million, or 96%, was a result of production increasing 71% due to the five blocks acquired subsequent to March 31, 1996, and the Company's 1996 well enhancement efforts. Most of the increase in production came in January and February when ERT prices averaged \$3.50/Mcf.

**GROSS PROFIT.** Gross profit increased by \$2.3 million, or 74%, from \$3.1 million for the three months ended March 31, 1996, to \$5.4 million for the comparable period this year. The two new DP vessels (BALMORAL SEA and UNCLE JOHN) and the improved rates on the WITCH QUEEN contributed the majority of the increase with the balance resulting primarily from the improved natural gas and oil production. Subsea and salvage margins decreased from 24% in the three months ended March 31, 1996, to 21% for the comparable period during 1997. This decline was caused by the Company having six vessels undergoing inspection or repairs and upgrades during the first quarter 1997 as compared to only one during the same period in the prior year. As a result, subsea and salvage repair costs were \$1.6 million compared to \$700,000 in the first quarter of 1996. The addition of two vessels and a stronger market reduced the impact of the repair costs on gross margins.

Natural gas and oil production gross profit was \$2.6 million for the three months ended March 31, 1997, as compared to \$1.1 million during the same period in the prior year, with the \$1.5 million or 136% increase resulting from the improved production levels and higher prices early in the year.

**SELLING & ADMINISTRATIVE EXPENSES.** Selling and administrative expenses increased 53% in the first quarter of 1997 to \$2.2 million from \$1.4 million during the comparable period last year. The increase is due to the addition of a number of experienced technical personnel to support the new Deepwater Technical Services Group. The remainder of the increase is due to the ERT incentive compensation whereby key management personnel share in the improved earnings of the natural gas and oil production segment.

**NET INTEREST.** Net interest expense increased by \$253,000 from \$65,000 in the first quarter of 1996 to \$318,000 for the first quarter of 1997 due to borrowings incurred in conjunction with the acquisitions of the BALMORAL SEA and UNCLE JOHN and offshore properties added during the second half of 1996. Borrowings under the Revolving Credit Agreement averaged \$21 million during the first quarter of 1997 as compared to \$6 million for the first quarter of 1996.

**INCOME TAXES.** Income taxes of \$991,000 for the three months ended March 31, 1997, compares to \$469,000 for the comparable period in the prior year as a result of increased margins

and profitability. The effective tax rate increased significantly from 29% to 34% because the Company no longer qualifies for the "Small Producer" benefit of percentage depletion.

NET INCOME. Net income of \$1.9 million for the three months ended March 31, 1997 was \$728,000, or 63%, more than the comparable period in 1996 as a result of factors described above.

#### COMPARISON OF YEAR ENDED DECEMBER 31, 1996 TO YEAR ENDED DECEMBER 31, 1995

REVENUES. Consolidated revenues of \$76.1 million in 1996 were more than double the \$37.5 million reported in the prior year due primarily to the addition of new DP vessels and to higher commodities prices and increased production from natural gas and oil properties. A full year of operations from the WITCH QUEEN (placed in service in November 1995) and the additions of the BALMORAL SEA and UNCLE JOHN increased revenues from the DP vessels to 33% of consolidated 1996 revenues compared to 10% in 1995. This trend is expected to continue in 1997 because the Company will have full year operations from the BALMORAL SEA and UNCLE JOHN, which were only in service for eight and two months, respectively, in 1996. The establishment of a new management team resulted in improved performance in the operation of the salvage assets (BARGE I and well servicing equipment) which included the removal of four large structures by subcontracting heavy lift barges. Natural gas and oil production from 14 offshore blocks owned at year-end 1996 was \$12.3 million compared to \$4.8 million in 1995. This increase of \$7.5 million, or 156%, was a result of natural gas prices increasing by approximately 58% and to production from the five properties acquired in 1996 as well as the full year contributions of the Company's other properties.

GROSS PROFIT. Gross profit increased by \$13.2 million in 1996, from \$8.8 million in 1995 to \$22.1 million in 1996. Improved rates and performance on turnkey contracts resulted in subsea and salvage margins increasing from 22% in 1995 to 27% in 1996. This increase reflects in part the benefit of operating five specialized SAT vessels. Gross profit from salvage assets was \$2.2 million in 1996 or 13% of that generated by subsea and salvage operations in contrast to "break-even" results for the prior year. Natural gas and oil production gross profit was \$5.0 million in 1996 compared to \$1.7 million in the prior year, with the \$3.3 million increase resulting from higher natural gas prices and greater production levels.

SELLING AND ADMINISTRATIVE EXPENSES. Selling and administrative expenses increased 68% in 1996 to \$8.3 million from \$4.9 million in 1995. Payments of \$2.3 million were made to 223 offshore, supervisory and management personnel under 1996 incentive plans (an increase of \$2.0 million over 1995). The balance of the increase reflects higher sales and administrative costs necessary to support the 103% increase in 1996 revenues.

NET INTEREST. Net interest expense increased by \$610,000 (from \$135,000 in 1995 to \$745,000 in 1996) due to the borrowings incurred in conjunction with the acquisition of the BALMORAL SEA and UNCLE JOHN. Borrowings under the Revolving Credit Agreement averaged \$13 million in 1996 compared to \$6 million in 1995.

INCOME TAXES. Income taxes of \$4.6 million compares to \$1.0 million in 1995 as a result of significant increases in 1996 margins and profitability. The effective tax rate increased significantly, from 28% to 35%, because the Company no longer qualified for the "Small Producer" tax benefit of percentage depletion. Higher depreciation related to the new DP vessels had the result of reducing the amount of cash taxes paid. In 1996, cash payments for Federal income taxes were \$2.2 million or 48% of the total \$4.6 million tax provision.

NET INCOME. In 1996, net income of \$8.4 million increased \$5.8 million, or 215%, from 1995 as a result of the factors described above.

#### COMPARISON OF YEAR ENDED DECEMBER 31, 1995 TO YEAR ENDED DECEMBER 31, 1994

REVENUES. During 1995, the Company's revenues decreased \$500,000 to \$37.5 million compared to \$38 million in 1994. A \$2.5 million increase in natural gas and oil revenues offset



decreases in subsea services, particularly derrick barge and well servicing revenues, which together decreased \$1.3 million. The increase in natural gas and oil revenues was due to the Company's acquisition of seven offshore properties in 1995. The Company's subsea revenues in 1995 were negatively impacted by Hurricanes ROXANNE and OPAL. While dealing with adverse weather in the Gulf of Mexico is an accepted risk in the marine contracting business, these storms were unusual in that while little damage was incurred in the Gulf of Mexico, the Company's vessels were unable to leave the dock for 20 days during what are generally the two busiest months of the year (September and October). In addition, the number of platforms with two or more piles removed in the Gulf of Mexico decreased by almost 30% for the year which included a 50% reduction during the last six months, primarily as a result of contractors shifting assets to higher margin construction projects. The Company's revenues in 1995 were also negatively impacted by operating difficulties with the BARGE I which have been resolved.

**GROSS PROFIT.** Gross profit decreased by \$2.2 million in 1995 as compared to 1994, from \$11 million to \$8.8 million. Approximately \$1.0 million of the decrease was due to vessel drydockings during 1995 with the balance related to the down time caused by two hurricanes and operational difficulties with respect to BARGE I. Three of the Company's vessels, CAL DIVER II, CAL DIVER V and BARGE I, underwent major U.S. Coast Guard ("USCG") drydock inspections during 1995. In addition to the work required to maintain the USCG Certificates of Inspection, the Company completed a major capital upgrade program. As a result, these three vessels were out of service for a combined aggregate of ten months during 1995. Natural gas and oil operations contributed 19% of consolidated gross profit in 1995 as compared to 7% for 1994 due to the increase in the number of properties owned at December 31, 1995.

**SELLING AND ADMINISTRATIVE EXPENSES.** Selling and administrative expenses increased 6% to \$4.9 million in 1995 compared to \$4.7 million in 1994. This increase was due primarily to improved results in the Company's natural gas and oil business resulting in an additional \$200,000 of incentive compensation earned by ERT personnel.

**NET INTEREST.** During 1995, net interest expense declined 69% to \$135,000 as compared to \$428,000 in 1994. Interest income generated by the cash deposits set aside to fund abandonment liabilities was \$202,000 in 1995, an increase of \$100,000 from 1994.

**INCOME TAXES.** Income taxes of \$1 million reflect an effective tax rate of 28% in 1995 compared to 31% in 1994. The decrease in tax rate was due to the impact of percentage depletion of natural gas and oil operations comprising a larger percentage of the Company's 1995 income.

**NET INCOME.** Net income decreased to \$2.7 million from \$4 million in 1994 as a result of the factors described above.

#### LIQUIDITY AND CAPITAL RESOURCES

**OPERATING ACTIVITIES.** The Company has historically funded its operating activities principally from internally generated cash flow, even in an industry-depressed year such as 1992. Management purchased the Company in July 1990, in a leveraged buyout funded with \$10.7 million in debt and \$1 million in equity. By July 1993, cash flow from operating activities enabled the Company to reduce total debt to \$3.5 million while increasing equity to \$9 million. In August 1993, management acquired all of the Common Stock of the Company held by the two financial institutions that financed the buyout, a transaction which increased the Company's debt to \$8.2 million and reduced equity to \$5.1 million. The 1995 equity infusion from First Reserve and its investment funds, together with internally generated cash flow, enabled the Company to formulate and implement its expansion strategy.

Net cash provided by operating activities was \$10.1 million in the three months ended March 31, 1997, as compared to net cash used by operating activities of \$677,000 in the three months ended March 31, 1996. The increase is mainly due to significant collections of accounts receivable during the three months ended March 31, 1997, a seasonal pattern which typically

occurs in the first quarter each year given the slowdown in offshore activity during the slower winter season when the Company's vessels may also be in drydock for maintenance. These factors provide the Company with the personnel to complete project invoicing and collections related to the peak fall season. Specifically, project engineers for each project, who have technical knowledge of the services performed, review the technical aspects of the work involved so that the client understands the basis for invoicing. This procedure is an effective method for maintaining good relationships with the Company's clients. Accordingly, for the three months ended March 31, 1997, the Company's trade receivables decreased by \$9.2 million.

This pattern did not occur in the first quarter of 1996 as operation of a DP vessel and purchase of offshore properties resulted in an increase in sales and accounts receivable. As a result, the Company was able to reduce borrowing on the Revolving Credit Agreement by \$6 million during the first quarter of 1997 while a year ago \$1.3 million of additional borrowings were required. Depreciation and amortization, which is included in cost of subsea and salvage sales, also increased by \$901,000 or 95% in the first quarter of 1997 due to the new vessel additions.

Net cash provided by operating activities was \$7.6 million in 1996 compared to \$12.0 million in 1995 with the decrease principally a result of \$15.3 million necessary to fund an increase in accounts receivable. Accounts receivable increased 140% over the prior year, a level greater than the 103% increase in revenues due to the significant increase in revenues from offshore activity at the end of the Company's fiscal year which led to a much higher accounts receivable balance at December 31, 1996. This increase in activity and revenues also resulted in a significant increase in the revenue allowance on gross amounts billed for the reasons described above. Depreciation and amortization also increased by \$2.5 million as a result of the new vessel additions. However, as noted previously, overall subsea and salvage margins increased from 22% in 1995 to 27% in 1996 notwithstanding higher depreciation charges. The additional depreciation increased the provision for deferred income taxes which was \$2.1 million in 1996 compared to \$600,000 in the prior year.

**CAPITAL EXPENDITURES.** Capital expenditures consisted principally of strategic asset acquisitions including the WITCH QUEEN, BALMORAL SEA and UNCLE JOHN, improvements to existing vessels and the acquisition of offshore natural gas and oil properties. During the three months ended March 31, 1997, the Company had six vessels out of service for either regulatory inspection or upgrade programs compared to only one during the three months ended March 31, 1996. The Company's policy is to charge all drydock related repairs to operations except for the cost of new steel and new equipment added to a vessel. Capital expenditures of \$3 million in the first quarter of 1997 compares to \$592,000, as compared to the similar period last year, with \$2.1 million of the increase related to the installation of a derrick on the UNCLE JOHN. Since 1993, the Company has invested \$17 million to acquire 15 offshore natural gas and oil properties in seven separate transactions. The Company records the amount of cash paid together with the abandonment liability assumed at the time such properties are acquired. Only the cash paid at closing is reflected in the Company's statement of cash flows together with bond and escrow deposits required in connection with these purchases. The MMS requires an operator bond, and certain of the purchase and sale agreements have required the Company to fund portions of the estimated decommissioning liability. Accordingly, the Company's balance sheet as of March 31, 1997 includes \$5.4 million of cash deposits restricted for abandonment obligations which aggregated \$6.1 million on that date. In addition the Company had also issued letters of credit totaling \$2.8 million at March 31, 1997 in lieu of cash deposits in connection with property acquisitions.

**FINANCING ACTIVITIES.** The Company has financed seasonal operating requirements and capital expenditures with internally generated funds, borrowings under credit facilities, and the sale of Common Stock described above. Since 1993, Fleet Capital Corporation has provided all debt funding pursuant to a Revolving Credit Agreement which initially was \$15 million and which, as amended in April 1997, is currently \$40 million. The Revolving Credit Agreement, which terminates in December 2000, is secured by trade receivables and mortgages on the Company's vessels. The Revolving Credit Agreement prohibits the payment of dividends on the Company's capital stock and contains, among other restrictions, certain financial covenants. During 1995, 1996 and the first quarter of 1997 those covenants typically required the Company to (i) maintain income from operations at specified levels, (ii) limit leverage, as defined, to no more than a specified ratio of net worth, (iii) maintain certain interest coverage and debt service ratios, as defined, and (iv) maintain

a minimum ratio of current assets to current liabilities. The Company was in compliance with, or obtained waivers of default from, the covenants under the Revolving Credit Agreement during 1995, 1996 and the first quarter of 1997. The Revolving Credit Agreement, as amended, contains only one financial covenant (a fixed charge coverage ratio) and a limitation that debt not exceed \$60 million. The interest rate during 1996 and the first quarter of 1997 was equal to the lender's floating prime rate plus .5%, or the Eurodollar Base Rate plus 2.25% for borrowings less than \$10 million, and 2% if borrowings exceed \$10 million. Pursuant to these terms, borrowings at December 31, 1996 included \$22 million at 7.37% (Eurodollar option) and \$3 million at 8.75% (prime option) which borrowings at March 31, 1997 consisted of \$19 million at 7.44% (Eurodollar option). The Revolving Credit Agreement, as amended, reduces these rates to LIBOR plus 1.75% in 1997 with incentive pricing thereafter pursuant to a formula based upon EBDIT (as defined therein). Letters of credit are also available under the Revolving Credit Agreement which the Company typically uses if performance bonds are required or, in certain cases, in lieu of purchasing U.S. Treasury Bonds in conjunction with gas and oil property acquisitions.

**CAPITAL COMMITMENTS.** The Company does not have any material commitments for capital expenditures for next year. However, in connection with its business strategy, management expects the Company to acquire or build additional vessels, acquire other assets such as the ROV purchase from Coflexip, as well as seeking to buy additional natural gas and oil properties. Depending upon the size of any future acquisitions, the Company may require additional debt financing, possibly in excess of the Revolving Credit Agreement, as amended, or additional equity financing. If the Company seeks equity financing in connection with such acquisitions, investors in this Offering may experience dilution. Other than potential asset acquisitions, management believes the net cash generated from operations and available borrowing capacity under the Revolving Credit Agreement will be adequate to meet funding requirements for the next year.

## GENERAL

Cal Dive is a leading provider of subsea construction, maintenance and salvage services to the offshore natural gas and oil industry in the Gulf of Mexico. Its services are primarily performed in support of offshore infrastructure construction projects involving pipelines, production platforms and risers and subsea production systems. Through ERT, Cal Dive acquires and operates mature offshore properties producing natural gas and oil, providing customers a cost effective alternative to the decommissioning process. The Company's customers include major and independent natural gas and oil producers, pipeline transmission companies and offshore engineering and construction firms. See Note 10 of the notes to Financial Statements for financial information with respect to the Company's business segments.

The Company owns a diversified fleet of nine vessels servicing offshore natural gas and oil industry, principally in the Gulf of Mexico. This market is experiencing strong exploration and development activity levels, including rapid growth in Deepwater. Beginning in 1995, the Company acted to fill a market void by assembling a fleet of dynamically positioned vessels which serve as work platforms for Deepwater projects. The vessels acquired include a semi-submersible multi-service vessel (UNCLE JOHN) and two mono-hull DP vessels (WITCH QUEEN and BALMORAL SEA). Management believes that the limited number of competing DP vessels in the Gulf affords the Company a key strategic advantage which has led to rising vessel utilization for its vessels. In addition, interest in the Cal Dive fleet has increased among potential customers and alliance partners evaluating a fast track approach to field development. Management believes that strong worldwide demand for DP vessels will cause this trend to continue.

In the last twelve months, the Company has positioned itself to work on full field development projects by entering into a number of strategic alliances. See "-- Strategic Alliances." As part of this strategy, in April 1997, certain shareholders and Cal Dive sold 32% of its Common Stock to Coflexip and executed the Business Cooperation Agreement. Each company expects to contribute its separate expertise to the alliance as follows:

| COFLEXIP SERVICES                                                                                            | CAL DIVE SERVICES                                   |
|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Flexible lay operations in excess of alliance vessel capabilities (including risers)                         | ROV operation                                       |
| Product sales, manufacture and supply of                                                                     | Diving                                              |
| -- Umbilicals                                                                                                | Coiled Tubing                                       |
| -- Flex hose                                                                                                 | Flexible lay operations with deck load requirements |
| -- Flex pipe                                                                                                 | up to                                               |
| ROV manufacture and sale                                                                                     | 600 metric tons                                     |
| EPIC project design and engineering and project management                                                   | Riser installation                                  |
| Reeled hard pipe lay (including risers installed in connection with lay operations, excluding coiled tubing) | Well servicing                                      |
| DP construction vessels in excess of Company and alliance vessel capabilities                                | DP DSV's and related services                       |
|                                                                                                              | Four Point DSV's (when applicable)                  |

The Company traces its origins to California Divers Inc., which pioneered the use of mixed gas diving in the early 1960s when oilfield exploration off the Santa Barbara coast moved to water depths beyond 250 feet. Cal Dive commenced operations in the Gulf of Mexico in 1975. Since that time, the Company's growth strategy has consisted of three basic elements: (i) identifying niche markets that are underserved or where no service exists, (ii) developing the technical expertise to provide the service and (iii) acquiring assets or seeking business alliances which fill the market gap.

## COMPANY STRENGTHS

### DIVERSIFIED FLEET OF VESSELS

Cal Dive has focused on owning and operating a diversified fleet which provides a full complement of subsea construction, maintenance, and salvage project capabilities. The Company operates a fleet of one semi-submersible DP MSV (the UNCLE JOHN), two DP DSV's (the WITCH QUEEN and BALMORAL SEA), two four-point moored saturation DSVs (the CAL DIVER I and II), three other DSVs, two work class ROVs and a salvage barge. This fleet enables the Company to operate in all Gulf water depths where development is currently contemplated. The services provided by these vessels both overlap and are complementary in a number of market segments, enabling the Company to deploy its vessels to areas of highest utility and margin potential. The vessels serve as work platforms for activities performed by divers in water depths of less than 1,000 feet and by ROVs for projects at all depths. The Company intends to continue to expand the capabilities of its diversified fleet through the acquisition of additional vessels and assets.

### EXPERIENCED PERSONNEL AND TURNKEY CONTRACTING

The shortage of experienced personnel has resulted in a trend in the oil and gas industry of transferring more responsibility to contractors and suppliers. The Gulf of Mexico spot market is unique in the world in that projects are typically of short duration and generally of a turnkey nature. Management believes that a key element of its growth strategy and success has been its pioneering role in providing turnkey contracting and its ability to attract and retain experienced industry personnel. The Company personnel have the technical expertise and operational experience to effectively manage turnkey projects and thereby deliver bids which are priced to achieve targeted profitability. Because of its experience with turnkey contracting and its people, the Company believes it is well positioned as to capitalize on the trend in the natural gas and oil industry towards outsourcing additional responsibility to contractors.

### DEEPWATER TECHNICAL SERVICES

The Company believes that it has established a unique niche in the Deepwater Gulf by assembling the specialized assets, technical personnel and exclusive alliance agreements that represent a cost effective solution to the rising demand for Deepwater services. The Company's mono-hulled DP vessels provide a flexible work platform to launch ROVs and support subsea construction in most weather conditions. Likewise, the Company's MSV, the UNCLE JOHN, has demonstrated its ability to perform certain well completion tasks previously undertaken using more expensive drilling equipment. These vessels in combination with the ROVs acquired from Coflexip allow the Company to control key assets involved in Deepwater subsea construction and field development. Over the last two years, the Company has employed personnel with experience in Deepwater subsea construction and ROV operation. Further, the Company has entered into alliance agreements with a team of specialized contractors that provide access to necessary equipment, technology and services to meet the fast track requirements of Deepwater development activities.

### MAJOR PROVIDER OF SATURATION DIVING SERVICES

Cal Dive owns and operates over 50% of the U.S. based SAT DSVs currently operating in the Gulf of Mexico. Saturation diving is required for subsea operations in water depths beyond 300 feet. In recent years there has been an increasing level of construction activity, a trend which is expected to accelerate as development of recently discovered Deepwater fields commences and new Deepwater production is tied into the existing Gulf infrastructure. Management believes that this trend will result in increasing demand for SAT diving services.

## LEADER IN SHALLOW WATER SALVAGE OPERATIONS

Since 1989, the Company has established a leading position in the decommissioning and abandonment of facilities in the shallow water Gulf of Mexico. The Company expects the demand for salvage and P&A services to increase. Over 75% of the 3,800 platforms in the Gulf of Mexico are over ten years old and there are approximately 15,000 wells that must ultimately be plugged and abandoned in accordance with government regulations related to the decommissioning of offshore production facilities. During 1996, the Company contracted for and managed, on a turnkey basis, all aspects of the decommissioning and abandonment of several fields for two major oil companies utilizing third party heavy lift derrick barges. These projects involved larger platforms than Cal Dive had historically decommissioned, and represent a service that management expects to expand in the future.

## MANAGEMENT OF MATURE NATURAL GAS AND OIL PROPERTIES

The Company formed ERT in 1992 to exploit a market opportunity to provide a more efficient solution to the abandonment of offshore properties, to expand Cal Dive's off season salvage and decommissioning activity and to support full field development projects. The Company has assembled a management team of personnel experienced in geology, reservoir and production engineering, facilities management and lease operations. The Company has acquired interests in 15 mature producing leases in the last four years, one of which has been plugged and abandoned and two of which were sold in May 1997. Mature properties are generally those properties where decommissioning and abandonment costs are significant relative to the value of remaining natural gas and oil reserves. Cal Dive seeks to acquire properties that it can operate to enhance remaining production, control operating expenses and manage the cost and timing of the decommissioning and abandonment of such properties. Management believes that Cal Dive is the only company acquiring mature properties in the Gulf of Mexico which combines financial strength, reservoir engineering and operations expertise with the availability of company-owned salvage assets, resulting in significant strategic and cost advantages. Since acquiring its initial property in late 1992, the Company has increased estimated proved reserves to approximately 25.3 Bcfe of natural gas and oil at December 31, 1996. In May 1997, ERT sold two properties which represented approximately 5% of the estimated proved reserves at December 31, 1996.

## GROWTH STRATEGY

### FOCUS ON THE GULF OF MEXICO

Cal Dive intends to maintain its primary focus on the Gulf of Mexico where the Company is well positioned to respond to rising market demand for services in all water depths, and increasingly to address Deepwater demand. Natural gas and oil exploration, development and production activity levels in the Gulf of Mexico have increased significantly as a result of several factors, including: (i) improvements in exploration technologies such as computer aided exploration and 3D seismic, which have enhanced reservoir mapping, increased drilling success rates and led to entirely new prospects such as the "Subsalt" play; (ii) improvements in subsea completion and production technologies, which have resulted in increased Deepwater drilling and development; (iii) expansion of the region's production infrastructure, which has improved the economics of developing both Deepwater and smaller natural gas and oil fields; and (iv) the short reserve life characteristic of Gulf of Mexico natural gas production, which requires continuous drilling to replace reserves and maintain production. Recent lease sales by the MMS of Gulf of Mexico properties attracted record bidding levels both in terms of the number of leases bid and the amount of capital exposed, including a record level of interest in Deepwater blocks. This has led to new market opportunities as well as increased demand for the Company's traditional marine services, as reflected in both higher vessel utilization rates and operating margins.

## CAPTURE A SIGNIFICANT SHARE OF THE DEEPWATER MARKET

As Gulf of Mexico Deepwater developments have created a need for new applications of subsea technology, there is a corresponding need for a new generation of subsea contractor to develop and deploy that technology. Management, through its Deepwater Technical Services Group, has targeted a market niche in which the Company functions as a focal point in the assembly and delivery of technology required for Deepwater projects. In particular, well completions, subsea installation and infield connection services are more critical in an era of limited availability of Deepwater drilling equipment and hardware. The Company's MSV has the capacity to undertake certain well completion activities, thereby reducing cost to the operator and freeing-up more expensive drilling rig time for drilling operations. Cal Dive has negotiated formal alliance agreements with a number of specialized contractors to provide a full range of services necessary to Deepwater construction projects. These strategic alliances include the recent Coflexip transaction and agreements with Schlumberger, Shell Offshore, Inc., Reading & Bates Development Co., Fugro-McClelland Marine GeoSciences, Inc., Sonat, Inc. and Quality Tubing, Inc. Cal Dive is also a preferred installation contractor to Total Offshore Productions Systems ("TOPS"), a company formed by Reading & Bates Development Co. and Intec Engineering, Inc. to conduct Deepwater full field development projects. The objective of Cal Dive's strategy is to increase the proportion of Deepwater field development expenditures captured by Cal Dive while reducing overall costs and project duration for the operator.

## CAPITALIZE ON SYNERGIES WITH COFLEXIP

Cal Dive entered into a strategic alliance with Coflexip to strengthen its position in the Deepwater Gulf and to respond to the trend toward full field development services. Management believes that Coflexip and Cal Dive together offer complementary products and services which significantly expand Cal Dive's ability to provide full field development and life of field services. Coflexip is a world leader in the design and manufacture of offshore flexible pipe and umbilicals and is one of the leading subsea construction contractors. Headquartered in Paris, France, Coflexip employs approximately 3,500 employees spread over five continents. In 1996, Coflexip had sales of \$945 million and total assets of \$1.1 billion at the end of the year.

## OFFER FULL FIELD DEVELOPMENT SERVICES

Management believes the significant number of new leases, the number of Deepwater leases due to expire by 2000 and shortages of well completion equipment, drilling rigs and production infrastructure will create a demand for fast track, full field development solutions. Cal Dive's recent acquisitions of assets and its personnel and technical expertise, combined with strategic alliances, put the Company in a strong competitive position to respond to this market need. In addition, the Company intends to apply the technologies and capabilities developed for Deepwater to "midwater" Gulf (500 to 1,000 feet) as a cost effective alternative to fixed platforms.

## EXPAND THE COMPANY'S NATURAL GAS AND OIL PRODUCTION

Management believes Cal Dive's reputation in the industry and its size and experience in salvage and remediation work make the Company a preferred buyer of mature natural gas and oil properties. Specifically, customers can sell an offshore property at a reasonable price with the assurance that the offshore property will be decommissioned and abandoned in accordance with regulatory requirements. The Company intends to exploit its recent experience contracting and managing heavy lift salvage to expand the number of mature offshore properties for which the Company will bid. In addition, the Company will continue, on a selective basis, to acquire non-operated working interests in fields where there is the potential of Cal Dive being awarded decommissioning or development work. These fields expand the universe of potential ERT property acquisitions.

## THE INDUSTRY

### BACKGROUND

The subsea services industry in the Gulf of Mexico originated in the early 1960s to assist natural gas and oil companies with their offshore operations. The industry has grown significantly since the early 1970s as these companies have increasingly relied upon offshore fields for production. Subsea services are required throughout the economic life of an offshore field and include at various phases the following services, among others:

- o EXPLORATION. Pre-installation survey; rig positioning and installation assistance; drilling inspection; subsea equipment maintenance; search and recovery operations.
- o 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.
- o PRODUCTION. Inspection, maintenance and repair of production structures, risers and pipelines and subsea equipment.
- o DECOMMISSIONING. Decommissioning and remediation services; plugging and abandonment services; platform salvage and removal; pipeline abandonment; site inspections.

The industry has grown principally due to the economic benefits of new and advanced technologies and custom designed equipment and recently has focused more on Deepwater projects and the integrated "full field development" service concept described below.

### FULL FIELD DEVELOPMENT

The Company and its alliance partners can offer oil and gas companies a range of services from subcontracting to complete field development solutions. In offering field development services, Cal Dive and its partners intend to provide a full range of subsea systems and services, from procurement and installation of flowlines, wellheads, control systems, umbilicals and manifolds to installation and commissioning of the complete production system.

Many oil and gas companies prefer to contract with a consortium capable of undertaking major portions or all of an entire field development project. Contracting for engineering, procurement, installation and commissioning ("EPIC") services can relieve a customer of substantially all of the burdens of management of field development and thereby avoid many of the risks inherent in traditional contracting strategies. Field development partnerships can also allow oil and gas companies to increase outsourcing of development work. EPIC contracting for field development projects requires that contractors offer a full range of services to customers. The Company's strategic alliances provide Cal Dive with the necessary capabilities to pursue field development contracts.

### OPERATIONS AND EQUIPMENT

SUBSEA CONSTRUCTION VESSELS. Subsea services are typically performed with the use of specialized subsea construction vessels which provide an above water platform that functions as an operational base for divers in water depths up to 1,000 feet and ROVs at all water depths. Distinguishing characteristics of subsea construction vessels include DP systems, SAT 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. Vessels with greater deck space and load capacities have the flexibility to service more complex projects in deeper water. A moonpool is a structure built into the center of the vessel, which enables safe and efficient launching of ROVs and SAT diving systems in harsh weather conditions. These characteristics will generally dictate the types of jobs undertaken and the conditions and water depths in which the vessel is capable of working.



DYNAMIC POSITIONING. DP systems allow a vessel to maintain position without the use of anchors, and therefore enhance productivity in extreme weather conditions and are preferred for Deepwater applications. Computer controlled thrusters mounted on the vessel's hull ensure the proper counteraction to wind, current and wave forces to maintain position. Since no anchors are required, risks associated with objects snagging on pipelines or other underwater structures are minimized. The capabilities provided by the Company's DP vessels have allowed Cal Dive to penetrate new markets and provide additional services to the Deepwater market such as flexible pipelay, well servicing, coring and general field support.

REMOTELY OPERATED VEHICLES. ROVs are robotic vehicles used to complement, support and increase the efficiency of diving and subsea operations and at depths for tasks where the use of divers is uncompetitive or impossible. One of the ROVs acquired from Coflexip will be permanently installed on the UNCLE JOHN. The second ROV will be a mobile system working on the other Cal Dive vessels. The Company believes that purchasing ROVs will enable it to better control the quality and cost of its services, replacing the need to rely upon third party equipment and personnel for critical path operations.

SATURATION DIVING. Subsea operations are conducted by manned or unmanned intervention. SAT diving, required at water depths greater than 300 feet, involves divers working from special chambers for extended periods at a pressure equivalent to the depth of the work site. The divers are transferred from the surface to the work site by a diving bell. After completion of the work, the bell is lifted back to the DSV and the divers return to the chamber to be replaced by a new group of divers who are lowered to the job site to continue the work. SAT diving systems allow for continuous operations to be conducted 24 hours a day. The primary advantage of SAT diving is that divers can remain under pressure and make repeated dives for extended periods before beginning decompression. Overall productivity and safety is therefore enhanced due to fewer decompressions, diver continuity and a lower likelihood of delays caused by adverse weather conditions.

SURFACE DIVING. Surface diving is the primary diving technique performed in water depths less than 300 feet. Divers are linked to the surface by a diving umbilical containing compressed air lines and communications equipment. The diver enters the water directly and descends to the work site, accomplishes the prescribed tasks and begins to decompress in the water during a gradual ascent to the surface. The length of time a diver is able to remain at the work site depends upon, and is limited by, the water depth.

The following table summarizes the equipment and techniques primarily used in providing subsea services by water depth:

| EQUIPMENT/<br>TECHNIQUE USED | WATER DEPTH<br>(IN FEET) |
|------------------------------|--------------------------|
| Surface Diving.....          | 0 to 300                 |
| SAT Diving.....              | 300 to 1,000             |
| ROVs.....                    | All depths               |
| DSVs.....                    | 0 to 1,000               |
| DP Vessels.....              | Greater than 300         |

MARINE VESSELS AND EQUIPMENT

The Company owns a fleet of nine vessels. The size of the Company's fleet and its capabilities have increased in recent years with the addition of the WITCH QUEEN, the BALMORAL SEA and the UNCLE JOHN.

Management believes that the Gulf of Mexico market increasingly will require specially designed or equipped vessels to deliver the necessary subsea construction services, especially in the Deepwater. Five of the Company's vessels have been modified to provide saturation diving

services. Three of these vessels were specifically upgraded to respond to the emerging Deepwater market.

The table set forth below provides information regarding the strategic features of the Company's vessels.

| VESSEL                | DATE PLACED IN SERVICE | LENGTH (FEET) | CLEAR DECK SPACE (SQ. FEET) | DECK LOAD (TONS) | ACCOMMODATIONS | MOONPOOL LAUNCH/SATURATION DIVING | CRANE      |
|-----------------------|------------------------|---------------|-----------------------------|------------------|----------------|-----------------------------------|------------|
| DP MSV:               |                        |               |                             |                  |                |                                   |            |
| Uncle John.....       | 11/96                  | 254           | 11,834                      | 460              | 102            | 3                                 | 2x 100-ton |
| DP DSVS:              |                        |               |                             |                  |                |                                   |            |
| Balmoral Sea(2).....  | 9/94                   | 259           | 3,443                       | 250              | 60             | 3                                 | 30-ton     |
| Witch Queen.....      | 11/95                  | 278           | 5,600                       | 500              | 62             | 3                                 | 50-ton     |
| DSVS:                 |                        |               |                             |                  |                |                                   |            |
| Cal Diver I.....      | 7/84                   | 196           | 2,400                       | 220              | 40             | 3                                 | 20-ton     |
| Cal Diver II.....     | 6/85                   | 166           | 2,816                       | 300              | 32             | 3                                 | A-Frame    |
| Cal Diver III.....    | 8/87                   | 115           | 1,320                       | 105              | 18             |                                   |            |
| Cal Diver IV.....     | 10/90                  | 100           | 1,035                       | 46               | 16             |                                   |            |
| Cal Diver V.....      | 9/91                   | 168           | 2,324                       | 490              | 30             |                                   | A-Frame    |
| DERRICK BARGE:        |                        |               |                             |                  |                |                                   |            |
| Cal Dive Barge I..... | 8/90                   | 150           | NA                          | 200              | 26             |                                   | 200-ton    |

| VESSEL                | CLASSIFICATION(1) |
|-----------------------|-------------------|
| DP MSV:               |                   |
| Uncle John.....       | DNV               |
| DP DSVS:              |                   |
| Balmoral Sea(2).....  | DNV               |
| Witch Queen.....      | DNV               |
| DSVS:                 |                   |
| Cal Diver I.....      | ABS               |
| Cal Diver II.....     | ABS               |
| Cal Diver III.....    | ABS               |
| Cal Diver IV.....     | ABS               |
| Cal Diver V.....      | ABS               |
| DERRICK BARGE:        |                   |
| Cal Dive Barge I..... | ABS               |

(1) The Company's DSVs also meet standards for seaworthiness and safety set by the USCG.

(2) This vessel has been operated by the Company under charters from September 1994 to February 1995 and from April 1996 to August 8, 1996, at which time it was acquired by the Company.

Under government regulations and the Company's insurance policies, the Company is required to maintain its vessels in accordance with standards of seaworthiness and safety set by government regulations and classification organizations. The Company maintains its fleet to the standards for seaworthiness, safety and health set by both the American Bureau of Shipping ("ABS"), Det Norske Veritas ("DNV") and the USCG. 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.

The Company incurs routine drydock inspection, maintenance and repair costs under USCG Regulations and to maintain ABS or DNV classification for its vessels. In addition to complying with these requirements, the Company has its own vessel maintenance program which management believes permits Cal Dive to continue to provide its customers with well maintained, reliable vessels. In 1995 and 1996, the Company incurred approximately \$2.4 million and \$3.7 million, respectively, in drydocking, marine inspection and general repair and maintenance costs. See "-- Government Regulation."

In the normal course of its operations, the Company also charters other vessels on a short-term basis, such as tugboats, cargo barges, utility boats and dive support vessels. All of the Company's vessels are subject to ship mortgages. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources."

#### COFLEXIP STRATEGIC ALLIANCE

##### BACKGROUND

As part of the Company's strategy in the Gulf of Mexico Deepwater and to respond to the growing trend towards integrated contracting of packages for field development services, Cal Dive entered into a strategic alliance with Coflexip in April 1997. Coflexip is the worldwide leader in the design and manufacture of flexible pipe and umbilicals and is a leading integrated subsea contractor to the offshore oil and gas industry. Deepwater field developments have shifted toward

greater use of subsea and floating production systems and away from conventional fixed production platform development systems. As a result, the services and products offered by Companies such as Cal Dive and Coflexip are increasingly required.

The alliance was formed by Coflexip acquiring approximately 32% of the Common Stock of the Company, pursuant to a purchase agreement dated as of April 11, 1997 (the "Purchase Agreement") and entering into the Business Cooperation Agreement. See "Certain Relationships and Related Transactions." In connection with the closing under the Purchase Agreement, Coflexip and the Company entered into certain related agreements, including two-year employment agreements with the Company's nine senior executives, a registration rights agreement, shareholders agreement and amended the Company's Articles of Incorporation and By-Laws. See "Management" and "Description of Capital Stock."

#### THE BUSINESS COOPERATION AGREEMENT

As part of the transaction, the companies entered into the Business Cooperation Agreement which provides that the parties will form a new entity in the third quarter of 1997 to which cash will initially be contributed by both parties. This new entity will be owned by Cal Dive and Coflexip in the relative percentages of 51% and 49%, respectively. The parties do not anticipate contributing any material assets to the new entity initially. The management of the new entity is under discussion between the parties. Cal Dive intends to consolidate financial results from the joint venture into its financial statements. Cal Dive and Coflexip will bid each project as a subcontractor to the venture for their respective services. In Cal Dive's case, the assets and services will include ROV operation, diving, coiled tubing, flexible lay operations with deck load requirements up to 600 metric tons, riser installation, well servicing, DP DSV's and related services and Four Point DSV's (when applicable). In Coflexip's case, the assets and services will include flexible lay operations in excess of alliance vessel capabilities (including risers), product sales, manufacture and supply of umbilicals/flex hose/flex pipe, ROV manufacture and sale, EPIC project design and engineering and project management, reeled hard pipe lay (including risers), installed in connection with lay operations, excluding coiled tubing and construction vessels in excess of Company and alliance capabilities. The joint venture will pursue Gulf of Mexico and Caribbean EPIC projects that require at least one Cal Dive service and one Coflexip service, where the aggregate contract value of the combined services involved in the project is at least \$25 million, and any such other projects as the parties may agree as being within the intended scope of the joint venture.

#### COMPLEMENTARY PRODUCTS AND SERVICES

Management believes that Coflexip and Cal Dive offer highly complementary products and services and that the strategic alliance with Coflexip significantly expands Cal Dive's ability to provide full field development and life of field services. The table below illustrates some of the individual strengths, products and services offered by Coflexip and Cal Dive that combined permit them to offer a new approach for Deepwater Gulf Subsea contracting activities:

##### CAL DIVE

- o Significant Gulf market presence
- o Deepwater position in the Gulf
- o DP vessels
- o Spot market turnkey expertise
- o Flexible pipe installation
- o ROV operation and marketing
- o Engineering utilization and marketing
- o Well servicing capability: alliance with Schlumberger in the Gulf

##### COFLEXIP

- o Worldwide presence
- o Deepwater expertise and credibility
- o Large DP construction vessels
- o Large project EPIC contractor
- o Umbilical and flexible pipe manufacturer/installer
- o ROV manufacturer
- o Significant subsea engineering group
- o Well servicing capability: alliance with Schlumberger in the North Sea

INFORMATION ON COFLEXIP

Coflexip is a world leader in the design and manufacture of flexible pipe and umbilicals, and one of the leading subsea contractors to the offshore oil and gas industry, providing integrated subsea services on large subsea projects throughout the world. Coflexip was established in 1971 to manufacture and market flexible pipe designed by the Institute Francais du Petrole, a French research and development organization that holds a controlling interest in one of Coflexip's principal shareholders. In December 1994, Coflexip acquired Stena Offshore N.V., a contractor providing subsea services to the oil and gas industry, from Stena International B.V. ("Stena International"), and Stena International became a significant shareholder of Coflexip.

Coflexip targets the subsea production systems segment of the subsea oilfield services industry involving the installation of a wellhead on the seabed rather than on a platform. Subsea production systems generally require flowlines that are less than 12 inches in internal diameter and less than 20 kilometers in length. This segment corresponds with the Company's technological capabilities and represents its key market.

Coflexip designs and manufactures offshore flexible pipe, a number of products that apply similar technology including umbilicals, and ROVs. Coflexip also performs project management and engineering services in connection with large subsea contracts, installs rigid and flexible pipes, umbilicals and floating production storage and offloading facilities, performs inspection, repair and maintenance and provides a number of related services such as lifting, diving and testing. Its fleet of vessels and equipment is one of the largest and most advanced technologically in the industry.

Coflexip has manufacturing and assembly facilities in five countries and markets its integrated services worldwide. Its principal markets are the North Sea, (UK and Norwegian sectors), offshore Brazil, the Asia-Pacific region and other markets including North America and North and West Africa. Coflexip employs approximately 3,500 employees in five continents and has subsidiaries in France, the United Kingdom, Brazil, Norway, the United States, Australia and India.

STRATEGIC ALLIANCES

Cal Dive has entered into a number of strategic alliances in order to enhance its ability to offer a full range of subsea full field development services including those described below.

| ALLIANCE                                                   | TYPE OF AGREEMENT                                                        | PRODUCTS AND SERVICES                                                                                                                              |
|------------------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| TOPS<br>Reading & Bates<br>Development Co.<br>Schlumberger | Preferred Provider Agreement<br>Alliance Agreement<br>Alliance Agreement | Deepwater projects in the Gulf<br>MSV technology and feasibility<br>study of a new build MSV<br>Well servicing and testing<br>utilizing DP vessels |
| Fugro-McClelland Marine<br>Geoscience, Inc.                | Performance Contract                                                     | Geoscience services and coring<br>work                                                                                                             |
| Quality Tubing, Inc.<br>Shell Offshore, Inc.               | Preferred Provider Agreement<br>Performance Contracts                    | Installation of coiled line pipe<br>Subsea well intervention and<br>research and development of<br>J-lay procedures                                |
| Sonat, Inc.                                                | Preferred Provider Agreement                                             | Traditional marine services                                                                                                                        |

With respect to alliances with Schlumberger, Fugro-McClelland Marine Geoscience, Inc. and Quality Tubing, Inc., Cal Dive provides vessels and related operating services and the respective alliance partner provides the specialized products and services listed in the table above. In the alliances with Shell Offshore, Inc., Sonat, Inc. and TOPS, Cal Dive provides marine contracting

services in a full field development setting to the alliance partner. In the alliance with Reading & Bates Development Co., Cal Dive and the alliance partner are cooperating on the design and testing of the feasibility of a new build MSV.

#### DEEPWATER TECHNICAL SERVICES GROUP

The Deepwater Technical Services Group was formed in early 1996 to serve the emerging Deepwater market. It is intended to be a focal point to assemble and deliver the varied technological disciplines required for Deepwater projects. The limited availability of Deepwater rigs makes well completions, subsea installations and infield connection services take on a more critical role. Cal Dive acted to fill a market void by assembling a fleet of proven, dynamically positioned vessels -- a key asset common to the application of Deepwater technologies. The Company's alliances are also managed through this group. Services covered by Cal Dive's Deepwater Technical Services Group include geotechnical investigation, turnkey field development, umbilical, controls and flexible pipe installations, well servicing, P&A, subsea wellhead installations and pipeline repair systems and risers.

#### NATURAL GAS AND OIL OPERATIONS

ERT was formed in 1992 in response to a market opportunity to provide a more efficient solution to offshore abandonment liability and Cal Dive's desire to expand its off-season salvage and decommissioning activity. Within ERT, the Company has assembled experienced personnel with proven track records in geology, reservoir and production engineering as well as offshore facilities management. Cal Dive generates numerous opportunities to acquire mature properties through its established contacts in the industry. The Company's property analysis utilizes both the expertise of its executives and Cal Dive's years of experience in performing turnkey contracts for decommissioning work. Production is generally sold at prevailing spot market prices in the Gulf of Mexico. In 1994, 1995, 1996 and for the three months ended March 31, 1997, revenue from natural gas and oil production accounted for 6.1%, 12.7%, 16.1% and 26.3%, respectively, of the Company's total revenues.

The Company's natural gas and oil business has also been successful because of the magnitude and complexity of decommissioning projects as well as regulatory requirements applicable to offshore natural gas and oil fields in federal waters. Property owners are required to bond and/or fund the MMS' estimate of the abandonment liability. The Company believes its financial ability to meet the MMS' requirements and its ownership of the required equipment provides it with a competitive advantage over smaller competitors.

To maximize the economic value of its properties, Cal Dive uses its operating expertise to reduce operating costs, maximize production from the properties and minimize the costs of decommissioning and abandonment. This technical expertise would enable Cal Dive to take an equity (reserve) position in conjunction with turnkey field development projects. The Company has acquired interests in 15 mature producing leases in the last five years, fourteen of which were in production at March 31, 1997 and one of which had been plugged and abandoned. Based on the Miller & Lents report, the remaining average useful life of the current properties is approximately 5.6 years based on 1996 production.

The table below sets forth information, as of December 31, 1996, with respect to the Company's estimated net proved reserves and the present value of estimated future net cash flows at such date, as estimated by Miller & Lents. Also see "Risk Factors -- Uncertainty of Estimates of Natural Gas and Oil Reserves."

|                                                                     | TOTAL PROVED<br>-----<br>(DOLLARS IN<br>THOUSANDS) |
|---------------------------------------------------------------------|----------------------------------------------------|
| Estimated Proved Reserves:                                          |                                                    |
| Natural Gas (MMcf).....                                             | 24,596<br>-----                                    |
| Oil and Condensate (Mbbbls).....                                    | 124<br>-----                                       |
| Future net cash flows before income<br>taxes.....                   | \$ 58,781<br>-----                                 |
| Present value of future net cash flows<br>before income taxes.....  | \$ 48,703<br>-----                                 |
| Standardized measure of discounted<br>future net cash flows(1)..... | \$ 33,805<br>-----                                 |

(1) The standardized measure of discounted future net cash flows attributable to the Company's reserves was prepared using constant prices as of the calculation date, discounted at 10% per annum.

As of December 31, 1996, the Company owned an interest in 49 gross (38.1 net) natural gas wells and one gross (0.5 net) oil well located in federal offshore waters in the Gulf of Mexico. In May 1997, ERT sold two properties which represented approximately 5% of the estimated proved reserves at December 31, 1996. The Company is responsible for the payment of abandonment costs on the natural gas and oil properties pro rata to its working interest. The Company accrues its estimated share of the future abandonment liabilities on the date the applicable property was purchased. As of March 31, 1997, the recorded abandonment liability was approximately \$6.1 million. Estimates of abandonment costs and their timing may change due to many factors including inflation rates, and changes in environmental laws and regulations.

#### CUSTOMERS

The Company's customers are primarily major and independent oil and gas exploration, transportation and marine construction companies operating in the Gulf of Mexico. 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 Company estimates that in 1996 it provided subsea services to approximately 100 customers. For the years ended December 31, 1995 and 1996, and the three months ended March 31, 1997, approximately 21%, 24% and 7%, respectively, of the Company's total revenues were attributable to J. Ray McDermott, S.A. The Company's projects are typically of short duration and are generally awarded shortly before remobilization. Accordingly, backlog is not a meaningful indicator of future activities.

#### MARKETING

Contracts for work in the Gulf of Mexico are typically awarded on a competitive bid basis with customers usually requesting bids on projects several months prior to commencement. The Company maintains a focused marketing effort through a 12-person direct sales force operating from Houston, Texas together with sales offices in Lafayette and New Orleans, Louisiana. Most contracts are awarded on a turnkey basis, but the Company also performs work on a cost-plus or day rate basis, or on a combination of such bases. Under a qualified turnkey project, Cal Dive agrees to provide a portion of services for a fixed price (regardless of the time and materials actually required) and other services on a day rate basis. For projects involving day rates, Cal Dive charges are per day rate based upon a rate schedule for the services provided.

The Company sells substantially all of its natural gas under short-term contracts (maximum of one year in duration) at pricing based on spot market indexes. Cal Dive has not engaged in hedging transactions.

#### COMPETITION

The subsea services industry is highly competitive. Competition for subsea construction work in the Gulf of Mexico has historically been based on the location and type of equipment available, ability to deploy such equipment, the safety and quality of service in recent years and price. While price has been an important factor in obtaining contracts, the ability to acquire specialized vessels, to attract and retain skilled personnel, and to demonstrate a good safety record have also been important competitive factors. The Company's competitors for shallow water projects include American Oilfield Divers, Inc. Subsea International, Global Industries Ltd., Oceaneering International, Inc. as well as a number of smaller companies, some of which only operate a single vessel, that often compete solely on price. For Deepwater projects, Cal Dive's principal U.S. based competitors include Oceaneering International, Inc., Global Industries, Ltd., Subsea International, and J. Ray McDermott, S.A. Other large foreign based subsea contractors, including Stolt Comex Seaway, S.A. have announced their intention to perform services in the Gulf. The Company generally has fewer competitors in Deepwater projects given the more sophisticated vessels and technology required. The Company believes that its ability to provide a full range of services and advanced vessels will generally result in less price competition, higher margins and will enable it to compete effectively, particularly in water depths greater than 300 feet.

The Company also encounters significant competition for the acquisition of producing natural gas and oil properties. Many of the Company's competitors are well-established companies with substantially larger operating staffs and greater capital resources than the Company which, in many instances, have been engaged in the energy business for a much longer time than the Company. The Company's ability to acquire additional properties will depend upon its ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment.

#### TRAINING AND QUALITY ASSURANCE

The Company maintains a stringent safety and quality assurance program. In 1994, the Company devised and instituted a comprehensive revision to its safety program which emphasizes team building by assembling a core group of personnel specifically for each vessel to promote offshore efficiency and safety. Assembling core groups of personnel specifically assigned to each vessel has also reduced recorded incidents. As a result, management believes that the Company's safety programs are among the best in the industry.

#### FACILITIES

Cal Dive is headquartered at 13430 Northwest Freeway in Houston, Texas. The Company's subsea and marine services operations are based in Morgan City, Louisiana. All of Cal Dive's facilities are leased.

#### PROPERTY AND FACILITIES SUMMARY

|                        | FUNCTION                                                                                    | SIZE                                                 |
|------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------|
|                        | -----                                                                                       | -----                                                |
| Houston, Texas         | Corporate and ERT Headquarters<br>Project Engineering<br>Account Management<br>Sales Office | 23,700 square feet                                   |
| Morgan City, Louisiana | Operations/Docking<br>Warehouse/Offices                                                     | 3.5 acres<br>10,000 square feet<br>4,500 square feet |

The Company expects shortly to move to a larger and more modern operating facility near its current facility in Morgan City. The new facility will provide many advantages when compared to the present location including, more room (28.5 acres), more office space (30,000 square feet), more bulkhead (over 1000 feet) for vessel repair and maintenance, new warehouses and mechanics buildings and more parking. This facility is important to enable Cal Dive to manage operations effectively as it continues to grow. The Company also has sales offices in Lafayette and New Orleans, Louisiana.

The Company also expects to move to a new and more modern headquarters in Houston in July 1997. The facility will have over 30,000 square feet and parking to house administrative, project engineering, account management, sales and ERT personnel.

#### GOVERNMENT REGULATION

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

The Company also supports and voluntarily complies with The Association of American Diving Contractor Standards. The USCG sets safety standards and is authorized to investigate vessel and during accidents and recommend improved safety standards, and the U.S. Customs Service is authorized to inspect vessels at will. As the Company expands its operations to foreign waters, it will also be subject to regulation by other governments.

The Company is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to its operations. The Company believes that it has obtained or can obtain all permits, licenses and certificates necessary to the conduct of its business. The Company is subject to regulation by the Maritime Administration, USCG and U.S. Customs Services.

In addition, the Company depends on the demand for its services from the oil and gas industry and, therefore, the Company's 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 Outer Continental Shelf ("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 in the OCS waters of the Gulf of Mexico are currently required to post an area wide bond of \$3 million or \$500,000 per producing lease. The Company currently has bonded its offshore leases as required by the MMS. Under certain circumstances, the MMS has the authority to suspend or terminate operations on federal leases for failure to comply with applicable bonding requirements or other regulations applicable to plugging and abandonment. Any such suspensions or terminations of the Company's operations could have a material adverse effect on the Company's financial condition and results of operations.

The Company acquires production rights to offshore mature oil and gas properties under federal oil and gas 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") (which are subject to change by the MMS). The MMS has promulgated regulations requiring offshore production facilities located on the OCS to meet stringent engineering and construction specifications, and proposed additional safety-related regulations concerning the design and operating procedures for OCS production platforms and pipelines. These latter regulations were withdrawn pending further discussions among interested federal agencies. The MMS also has issued regulations restricting the flaring or venting of natural gas, and has recently proposed to amend such regulations to prohibit the flaring of liquid



hydrocarbons and oil 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. Any such suspension or termination could materially and adversely affect the Company's financial condition and operations.

The MMS has also issued a notice of proposed rulemaking in which it proposes to amend its regulations governing the calculation of royalties and the valuation of crude oil produced from federal leases. The proposed rule would modify 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, establish a new MMS form for collecting value differential data, and amend the valuation procedure for the sale of federal royalty oil. The Company cannot predict at this stage of the rulemaking proceeding how it might be affected by this amendment to the MMS' regulations.

In April 1997, after two years of study, the MMS withdrew proposed changes to the way it values natural gas for royalty payments that would have established an alternative market-based method to calculate royalties on certain natural gas sold to affiliates or pursuant to non-arm's length sales contracts.

Historically, the transportation and sale for resale of natural gas in interstate commerce have been regulated pursuant to the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978 (the "NGPA"), and the regulations promulgated thereunder by the Federal Energy Regulatory Commission (the "FERC"). In the past, the federal government has regulated the prices at which gas and oil could be sold. While sales by producers of natural gas, and all sales of crude oil, condensate, and natural gas liquids can currently 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" as of January 1, 1993.

Commencing in April 1992, the FERC issued Order Nos. 636, 636-A, 636-B and 636-C (collectively, "Order No. 636"), which, among other things, require interstate pipelines to "restructure" to provide open-access transportation separate or "unbundled" from the pipelines' sales of gas. Order No. 636 further requires pipelines to provide open-access transportation on a basis that is equal for all gas supplies. Order No. 636 could subject the Company to more restrictive pipeline imbalance tolerances and greater penalties for violations of those tolerances. The Company does not believe, however, that it will be affected by Order No. 636 materially differently than other natural gas producers, gatherers and marketers with which it competes.

In July 1996, the United States Court of Appeals for the District of Columbia Circuit largely upheld Order No. 636. Certain issues as well as individual pipeline restructuring proceedings are still subject to judicial review, and upon judicial review, the FERC's orders may be remanded or reversed in whole or part. Consequently, it is difficult to predict Order No. 636's ultimate effects.

Additional proposals and proceedings before various federal and state regulatory agencies and the courts could affect the oil and gas industry. The Company 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, the Company does not anticipate that compliance with existing federal, state and local laws, rules, and regulations will have a material effect upon the capital expenditures, earnings, or competitive position of the Company.

#### ENVIRONMENTAL REGULATIONS

The Company's 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 which are often difficult and costly to comply with and which carry substantial penalties for failure to comply. For example, state and federal agencies have issued rules and regulations pursuant to environmental laws that regulate environmental and safety matters, including restrictions on the types, quantities, and concentration of various substances that can be released into the environment in connection with production and abandonment activities and remedial measures to prevent pollution from current and former operations. Federal environmental laws include, without limitation, the Clean Water Act, the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), OCSLA and the Oil Pollution Act of 1990 ("OPA"). See "Risk Factors -- Government Regulation."

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 Clean Water Act provides for civil, criminal and administrative penalties for any unauthorized discharge of oil and other hazardous substances in reportable quantities and imposes substantial potential liability for the costs of removal, remediation and damages. Many states have laws which are analogous to the Clean Water Act and also require remediation of accidental releases of petroleum in reportable quantities in state waters. The Company's vessels routinely transport diesel fuel to offshore rigs and platforms, and also carry diesel fuel for their own use. The Company's supply boats transport bulk chemical materials used in drilling activities, and also transport liquid mud which contains oil and oil by-products. In addition, offshore facilities and vessels operated by the Company have facility and vessel response plans to deal with potential spills of oil or its derivatives.

RCRA regulates the generation, transportation, storage and disposal of hazardous and non-hazardous wastes, and requires states to develop programs to ensure the safe disposal of wastes. The Company generates non-hazardous wastes and small quantities of hazardous wastes in connection with routine operations, and while certain of its onshore waste handling practices may require upgrading, management believes that the wastes it generates are generally handled in substantial compliance with RCRA and analogous state statutes.

CERCLA contains provisions dealing with 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. In addition, companies that incur CERCLA liability frequently also confront third party claims because it is not uncommon for third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances. Although the Company handles hazardous substances in the ordinary course of business, the Company is not aware of any hazardous substance contamination for which it may be liable.

OCSLA provides the federal government with broad discretion in regulating the release of offshore resources of natural gas and oil production as well as regulating safety and environmental protection 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 the Company's 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 an action could have a material adverse effect on the Company's

financial condition and the results of operations. As of this date, the Company is not the subject of any civil or criminal enforcement actions under OCSLA.

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 a facility or vessel, or the lessee or permittee of the area in which an offshore facility is located. OPA assigns liability to each responsible party for oil spill removal costs and a variety of public and private damages from oil spills. While liability limits apply in some circumstances, a party cannot take advantage of liability limits if the spill is caused by gross negligence or willful misconduct, if the spill resulted from violation of a federal safety, construction, or operating regulation, or if a party fails to report a spill or to cooperate fully in the cleanup. Few defenses exist to the liability imposed under OPA for oil spills. The failure to comply with these requirements or inadequate cooperation in a spill event may subject a responsible party to civil or criminal enforcement actions. Management of the Company is currently unaware of any oil spills for which the Company has been designated as a responsible party under OPA and that will have a material adverse impact on the Company or its operations. OPA also imposes ongoing requirements on facility operators, such as the preparation of an oil spill contingency plan. The Company is in the process of updating such plans.

OPA, as recently amended in 1996, requires the lessee or permittee of the offshore area in which an oil or natural gas facility is located and which has a "worst case" oil spill discharge potential of more than 1,000 barrels of oil to establish and maintain evidence of financial responsibility in amounts ranging from \$10.0 million in specified state waters to \$35.0 million in federal OCS waters to cover liabilities related to an oil spill for which such person is statutorily responsible. Higher amounts of financial responsibility, up to \$150.0 million, will be required in certain limited circumstances where the MMS believes such a level is justified by the risks posed by the quantity or quality of oil that is handled by the facility. On March 25, 1997, the MMS proposed regulations to implement these financial responsibility requirements. Under the proposed regulations, the amount of financial responsibility required for a facility would depend on the worst case oil spill discharge volume calculated for the facility. For an offshore facility in OCS waters, worst case discharge volumes of up to 35,000 barrels will require a financial responsibility demonstration of \$35.0 million, while worst case discharge volumes in excess of 35,000 barrels will require demonstrations ranging from \$70.0 million to \$150.0 million, depending on the worst case volume. Similarly, for an offshore facility in specified state waters, volumes of up to 10,000 barrels require a financial responsibility demonstration of \$10.0 million, while worst case discharge volumes in excess of 10,000 barrels but not more than 35,000 barrels will require demonstrations of \$35.0 million, and worst case discharge volumes in excess of 35,000 barrels will require demonstrations ranging from \$70.0 million to \$150.0 million, depending on the worst case volume. The Company cannot predict whether these financial responsibility requirements under the OPA amendment or proposed rule will result in the imposition of substantial additional annual costs to the Company in the future or otherwise materially adversely affect the Company, but the impact is not expected to be any more burdensome to the Company than it will be to other similar situated companies involved in oil and gas explorations and production in the Gulf of Mexico.

OPA also requires owners and operators of vessels over 300 gross tons to provide the U.S. Coast Guard with evidence of financial responsibility to cover the cost of cleaning up oil spills from such vessels. The Company currently owns and operates five vessels over 300 gross tons. Satisfactory evidence of financial responsibility has been provided to the U.S. Coast Guard for all of the Company's vessels.

While certain of its onshore waste handling practices may require upgrading, management believes the Company is in compliance in all material respects with all applicable environmental laws and regulations to which it is subject. The Company does not anticipate that compliance with

existing environmental laws and regulations will have a material effect upon the capital expenditures, earnings or competitive position of the Company.

#### INSURANCE AND LITIGATION

The Company's 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 and collisions. The Company insures against these risks at levels consistent with industry standards. The Company believes its insurance is adequate to protect it against, among other things, the cost of replacing the total or constructive total loss of its vessels. The Company also carries workers' compensation, maritime employer's liability, general liability and other insurance customary in its business. All insurance is carried at levels of coverage and deductibles that the Company considers financially prudent.

The Company's services are provided in hazardous environments where accidents involving catastrophic damage or loss of life could result, and litigation arising from such an event may result in the Company being named a defendant in lawsuits asserting large claims. To date, the Company has been involved in no such catastrophic lawsuit. Although there can be no assurance that the amount of insurance carried by Cal Dive is sufficient to protect it fully in all events, management believes that its insurance protection is adequate for the Company's business operations. A successful liability claim for which the Company is underinsured or uninsured could have a material adverse effect on the Company.

The Company is 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. The Company believes that the outcome of all such proceedings, even if determined adversely, would not have a material adverse effect on its business or financial condition.

#### EMPLOYEES

Cal Dive relies on the quality and skill of its workforce and has successfully hired, trained, and retained highly skilled managers and divers. As of March 31, 1997, the Company had 385 employees, 93 of which were salaried. None of the Company's employees belong to a union or are employed pursuant to any collective bargaining agreement or any similar arrangement. Management believes that the Company's relationship with its employees is excellent. Of the Company's employees, 19 persons own shares of the Company's Common Stock and 34 other employees hold options to acquire Common Stock under the Company's 1995 Long Term Incentive Plan.

MANAGEMENT

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

The following table sets forth certain information as of the date of this Prospectus with respect to the executive officers, directors and certain other senior officers of the Company:

| NAME                         | AGE | POSITION WITH THE COMPANY                                      |
|------------------------------|-----|----------------------------------------------------------------|
| Gerald G. Reuhl.....         | 46  | Chairman and Director                                          |
| Owen E. Kratz.....           | 44  | President, Chief Executive Officer and Director                |
| S. James Nelson.....         | 55  | Executive Vice President, Chief Financial Officer and Director |
| Andrew C. Becher.....        | 51  | Senior Vice President and General Counsel                      |
| Louis L. Tapscott.....       | 59  | Senior Vice President -- Business Development                  |
| Jon M. Buck.....             | 39  | Vice President -- Sales                                        |
| Randall W. Drewry.....       | 50  | Vice President -- Bids and Proposals                           |
| Kenneth Duell.....           | 46  | Vice President -- Special Projects                             |
| Michael P. Middleton.....    | 40  | Vice President -- Operations                                   |
| A. Wade Pursell.....         | 32  | Vice President -- Finance                                      |
| Terrell W. (Jack) Reedy..... | 55  | Vice President -- Safety                                       |
| Lyle K. Kuntz.....           | 45  | President, ERT                                                 |
| Gordon F. Ahalt.....         | 68  | Director                                                       |
| Thomas M. Ehret.....         | 45  | Director                                                       |
| Jean-Bernard Fay.....        | 51  | Director                                                       |
| Gerald M. Hage.....          | 49  | Director                                                       |
| Kenneth Hulls.....           | 53  | Director                                                       |
| David H. Kennedy.....        | 47  | Director                                                       |
| William E. Macaulay.....     | 51  | Director                                                       |

EXECUTIVE AND OTHER SENIOR OFFICERS

GERALD G. REUHL has served as the Company's Chairman of the Board since 1990 and Chief Executive Officer from 1988 until April of 1997. From 1986 to 1988, Mr. Reuhl managed the Company's Domestic Diving Division, and from 1980 to 1986, he held a variety of management positions within both the domestic and international divisions of the Company. Mr. Reuhl joined the Company as a diver in 1975.

OWEN KRATZ has served as the Company's Chief Executive Officer since April 1997, President since 1993 and Chief Operating Officer and director since 1990. He joined the Company in 1984 and has held various offshore positions, including SAT diving supervisor, and 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 supervisor for various international diving companies and a SAT diver in the North Sea.

S. JAMES NELSON, JR., has served as Executive Vice President, Chief Financial Officer and a director of the Company since 1990. From 1985 to 1988, Mr. Nelson was the Senior Vice President and Chief Financial Officer of Diversified Energies, Inc., the former parent of Cal Dive, 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 his undergraduate degree from Holy Cross College (B.S.) in 1964 and a masters in business administration (M.B.A.) from Harvard University in 1966.

ANDREW C. BECHER has served as Senior Vice President and General Counsel of the Company since January 1996. Mr. Becher served as outside general counsel for the Company from 1990 to 1996, while a partner with Robins, Kaplan, Miller & Ciresi. From 1987 to 1990, Mr. Becher served

as Senior Vice President of Dain Bosworth, Inc., a Minneapolis-based investment banking firm. From 1976 to 1987, he was a partner specializing in mergers and acquisitions with the law firm of Briggs and Morgan. Mr. Becher received his undergraduate degree from Purdue University (B.S.) in 1968 and his law degree from the University of Illinois in 1971.

LOUIS L. TAPSCOTT joined the Company as Senior Vice President of Business Development in August 1996. From 1992 to 1996, he was a Senior Vice President for Sonsub International, Inc., a company which operates a deepwater fleet of ROVs. From 1984 to 1988, he was a director and Chief Operating Officer of Oceaneering International, Inc. Mr. Tapscott has over thirty years of executive management and operational experience working with subsea contractors and subsea technology organizations in the United States and internationally.

JON M. BUCK has served as the Company's Vice President of Sales since August 1996 and as Sales Coordinator since 1994. From 1987 to 1994, Mr. Buck served as one of the Company's Account Managers. Prior to 1987, he held various positions in the hyperbaric welding and sales groups of SubSea International, Inc.

RANDALL W. DREWRY has served as the Company's Vice President of Bids and Proposals since 1992. He has held a number of management positions since joining the Company in 1980 and was responsible for custom designing the CAL DIVER I in 1984. Mr. Drewry has 24 years of experience in the industry as a diver, project manager, marine manager and sales coordinator and is a specialist in pipeline construction and saturation project specifications.

KENNETH DUELL joined Cal Dive in November of 1994 and was appointed Vice President -- Special Projects in November 1996. From 1989 to 1994, he was employed by ABB Soimi, Milan, Italy, in connection with a modular refining systems development in Central Asia. From 1974 to 1988, he held various positions with Santa Fe International, including the ROV and diving division. Mr. Duell has over 22 years of worldwide experience in all aspects of the onshore and offshore construction and diving industry.

MICHAEL P. MIDDLETON has served as the Company's Vice President of Operations since 1991. Since joining the Company in 1981, Mr. Middleton has held a number of offshore and management positions, including dive tender, diver, diving superintendent, diving personnel manager, marine operations manager and general manager.

A. WADE PURSELL joined the Company in May 1997 as Vice President -- Finance and Chief Accounting Officer. From 1988 through 1997 he was with Arthur Andersen LLP, most recently as an Experienced Manager specializing in the offshore services industry. Mr. Pursell is a Certified Public Accountant.

TERRELL W. (JACK) REEDY has been the Company's Vice President of Safety since 1991, becoming Vice President of Safety and Training in 1994. Prior to joining the Company in 1990, Mr. Reedy worked for McDermott International, Inc. as a diving supervisor and in offshore operations and the safety area. Prior thereto, he served in the United States Navy as a SAT diver, a diving medical technician and a member of the Experimental Diving Unit.

LYLE K. KUNTZ has served as President of the Company's subsidiary, Energy Resource Technology, Inc., since its inception in 1992. Prior to forming ERT, Mr. Kuntz spent 17 years with ARCO Oil and Gas Co. in a broad range of senior engineering and management positions.

GORDON F. AHALT has served on the Company's Board of Directors since July 1990 and has extensive experience in the oil and gas industry. Since 1982, Mr. Ahalt has been the President of GFA, Inc., a petroleum industry management and financial consulting firm. From 1979 to 1982, he served as Senior Vice President and Chief Financial Officer of Ashland Oil Company. Prior thereto, Mr. Ahalt spent a number of years in executive positions with Chase Manhattan Bank.

WILLIAM E. MACAULAY has served on the Company's Board of Directors since January 1995. Since 1983, Mr. Macaulay has served as President and Chief Executive Officer of First Reserve Corporation, a corporate manager of private investments focusing on the energy and energy-related sectors. Mr. Macaulay serves as a director of Weatherford Enterra, Inc., an oilfield service

company, Maverick Tube Corporation, a manufacturer of steel pipe and casing, Transmontaigne Oil Company, an oil products distribution and refining company, Hugoton Energy Corporation, an independent oil and gas exploration and product company and National-Oilwell Inc., a manufacturer and distributor of oil field equipment.

DAVID H. KENNEDY has served on the Company's Board of Directors since January 1995 and has more than 20 years of experience in the oil and gas industry. Since 1981, Mr. Kennedy has served as Managing Director of First Reserve Corporation. From 1971 to 1981, he was with Price Waterhouse & Co. where his responsibilities included tax and audit services for major energy companies. Mr. Kennedy is a director of Maverick Tube Corporation, a manufacturer of steel pipe and casing and of Berkley Petroleum Corporation, Pursuit Resources Corporation and Burner Exploration Ltd., three Canadian exploration and production companies.

GERALD M. HAGE has served on the Company's Board of Directors since January 1995. Since 1995, Mr. Hage has served as President and Chief Executive Officer of Phoenix Energy Services, Inc., and from 1993 to 1994, he was President and Chief Executive Officer of Total Energy Services, Inc., which was later merged into Enterra Corporation. From 1991 to 1993, Mr. Hage served as President and Chief Executive Officer of First Reserve Energy Services Co. From 1981 to 1991, he held a number of senior management positions with Baker Hughes, Incorporated, including President and Chief Executive Officer of Baker Oil Tools and President, Chief Executive Officer, Vice President of Manufacturing and Vice President of Operations for Baker Tubular Services.

THOMAS M. EHRET has served on the Company's Board of Directors since April 1997. Mr. Ehret has been the Senior Executive Vice President of Coflexip since 1996 and Chief Operating Officer and director since 1995. From 1989 through 1994, Mr. Ehret served as Chief Executive Officer with Stena Offshore Group based in Aberdeen, Scotland.

JEAN-BERNARD FAY has served on the Company's Board of Directors since April 1997. Mr. Fay has been Chief Financial Officer of Coflexip since 1997, and from 1990 to 1996 was Group Vice President -- Finance and Administration. From 1986 to 1990, he was a Managing Director with SCOR, a French reinsurance group.

KENNETH HULLS has served on the Company's Board of Directors since May 1997. Mr. Hulls has served as President and Chief Executive Officer of Coflexip Stena Offshore, Inc., the North American subsidiary of Coflexip since May 1997, and has held various positions in the Coflexip Stena Offshore Group from 1991 to May 1997. From 1977 to 1991, Mr. Hulls held various international positions in the offshore construction industry.

The Company's 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 I directors, Owen Kratz, Gerald M. Hage and Thomas M. Ehret, will expire in 1998. The terms of the Class II directors, William E. Macaulay, Gerald G. Reuhl, Gordon F. Ahalt and Jean-Bernard Fay will expire in 1999. The terms of the Class III directors, David H. Kennedy, S. James Nelson and Kenneth Hulls will expire in 2000. Each director serves until the end of his term or until his successor is elected and qualified. See "Description of Capital Stock -- Certain Anti-Takeover Provisions."

#### COMMITTEES

As authorized by the Company's By-Laws (and as provided in the Shareholders Agreement (defined below)) the Board has established the following four committees: (i) a five-member Executive Committee comprised of one First Reserve director, one Coflexip director, one independent director and two directors appointed by management (one of whom shall be the Chairman of the Board) which, when the Board is not in session, shall exercise such power and authority of the Board in the management of the business of the Company pursuant to the unanimous vote of such Committee as the Board may from time to time authorize, (ii) a four-member Audit Committee comprised of one First Reserve director, one Coflexip director and two independent directors,

which shall consult with the independent public auditors of the Company in connection with such auditors' audit and review of the financial statements of the Company and shall consult with the Company's Chief Financial Officer and staff in connection with the preparation of the Company's financial statements, subject to such limitations as the Board may from time to time impose; (iii) a five-member Compensation Committee comprised of one First Reserve director, one Coflexip director, one director appointed by management and two independent directors, which shall administer awards under any Stock Option Plan and shall evaluate and make recommendations with respect to the compensation arrangements of executive officers of the Company, subject to such limitations as the Board may from time to time impose; and (iv) a three-member Nominating Committee comprised of one First Reserve director, one Coflexip director and one director appointed by management, which shall be responsible for searching for and selecting nominees to serve as independent directors from a list of acceptable potential nominees prepared by the First Reserve director and Coflexip director with the advice of the director appointed by management, from which list the director appointed by management shall select a nominee.

#### COMPENSATION OF DIRECTORS

The Company has agreed to pay its independent directors each an annual retainer which totals \$20,000. All directors are reimbursed for reasonable out-of-pocket expenses incurred to attend Board and committee meetings.

#### COMPENSATION OF EXECUTIVE OFFICERS

The following table sets forth the cash compensation paid or accrued for services rendered in all capacities to the Company in 1996, to the Chief Executive Officer and each of the other four most highly compensated executive officers of the Company (the "Named Executives").

SUMMARY COMPENSATION TABLE

| NAME AND PRINCIPAL POSITION                                                               | 1996 ANNUAL COMPENSATION |            |                                  | LONG-TERM<br>COMPENSATION<br>AWARDS |
|-------------------------------------------------------------------------------------------|--------------------------|------------|----------------------------------|-------------------------------------|
|                                                                                           | SALARY                   | BONUS      | OTHER ANNUAL<br>COMPENSATION (1) | OPTIONS                             |
| Lyle K. Kuntz.....<br>President, ERT                                                      | \$ 102,920               | \$ 408,586 | \$ 3,750                         | --                                  |
| Gerald G. Reuhl.....<br>Chairman and Chief Executive Officer,<br>Cal Dive                 | 146,000                  | 146,000    | 3,650                            | --                                  |
| Owen Kratz (2).....<br>President and Chief Operating Officer,<br>Cal Dive                 | 163,200                  | 163,200    | 3,750                            | --                                  |
| S. James Nelson.....<br>Executive Vice President and Chief<br>Financial Officer, Cal Dive | 128,300                  | 128,300    | 3,208                            | --                                  |
| Randall W. Drewry.....<br>Vice President -- Bids and Proposals,<br>Cal Dive               | 101,750                  | 67,581     | 2,544                            | --                                  |

(1) Represents the Company's matching contribution to the Company's 401(k) Plan.

(2) Owen Kratz became Chief Executive Officer in April 1997.

Except as indicated above, no stock options were granted to the Named Executives during 1996 and none of these individuals exercised a stock option during 1996.

Each of the Company's three principal executive officers, Gerald G. Reuhl, Owen Kratz and S. James Nelson has entered into a two-year employment agreements with the Company. These agreements provide, among other things, that until the later of April 11, 2002 or the first or second anniversary date of termination of the executive's employment with the Company (depending on the event of termination), the executive shall not, directly or indirectly either for himself or any other



individual or entity, participate in any business 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 employment, so long as the Company continues to make payments to such executive, including his base salary and insurance benefits received by senior executives of the Company. In connection with the Coflexip transaction, the Company also entered into employment agreements with six of the Company's other senior officers substantially similar to the above agreements.

#### COMPENSATION PURSUANT TO PLANS

##### BONUS PLAN

Cal Dive has established three types of bonus compensation plans, each of which is based on the Company's performance. The first bonus plan applies to the three principal executive officers and is determined by the Compensation Committee. The second bonus plan applies to subsea operating and administrative personnel. This plan affords covered project management and sales personnel the ability to participate in a bonus pool division if gross profits exceeds specified targets and allows operating and administrative personnel to earn up to 50% of their base salaries. The third plan is applicable to the three principal employees of ERT and provides for a bonus of between 1% to 10% of net income before taxes of ERT up to a maximum total of 15% of such net income.

##### PROFIT SHARING AND RETIREMENT PLAN

The Company's Retirement Plan (the "Retirement Plan") is a 401(k) savings plan. The Retirement Plan permits each employee to become a participant in the savings plan feature on January 1, April 1, July 1, or October 1 following the employee's completion of 90 consecutive days of employment.

Under the Retirement Plan, each active participant may elect, subject to certain limitations required by law, to defer payment of from 1% to 15% of his or her compensation. Upon such an election, the Company contributes such deferred amounts to the Retirement Plan on behalf of such participant. Such contributions to the 401(k) savings plan are invested according to the instructions of the participant in investment funds designated by the plan administrator. Subject to reduction or elimination based on its financial performance and needs as described in the Plan, the Company's contributions are determined annually as 50% of each employee's contribution (up to a maximum of 5% of the employee's annual salary).

Employee contributions to the 401(k) savings plan and earnings thereon are 100% vested at all times. Contributions by the Company to the profit sharing feature, and earnings thereon, vest based on the participant's years of service with the Company, vesting 20% after two years of service, increasing to 50% with three years of service, and becoming 100% vested following four years of service. All contributions vest, regardless of years of service, upon termination of employment by reason of death or disability, attainment of age 65 or the termination or discontinuance of the Retirement Plan. After termination of employment, an employee is entitled to receive a lump-sum distribution of his or her entire vested interest in the Retirement Plan.

##### STOCK OPTION PLAN

The Company's 1995 Long Term Incentive Plan, as amended (the "Stock Option Plan") is administered by the Board and provides for grants of incentive and nonqualified options as defined by the Internal Revenue Code of 1986, as amended, to employees as determined by the Compensation Committee. The Stock Option Plan provides that options for a maximum of 10% of the total shares of Common Stock issued and outstanding may be granted. No options may be granted under the Stock Option Plan after October 2005. Options granted to employees under the Stock Option Plan have a maximum term of five years and, subject to certain exceptions, are not transferable.

The number and exercise price of options granted to employees will be determined by the Compensation Committee; provided, however, that (i) the exercise price of an incentive option may not be less than the fair market value of the shares subject to the option on the date of the grant, and (ii) the exercise price of a non-qualified option may not be less than 85% of the fair market value of the shares subject to the option on the date of the grant. The Stock Option Plan provides that, upon a change of control, the options immediately vest and become exercisable.

To date, options to purchase approximately 911,500 shares of Common Stock at exercise prices ranging from \$4.50 to \$9.50 have been granted to 34 employees.

#### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the period from 1991 to 1994, the Company loaned \$150,000 to each of S. James Nelson and Owen Kratz. These loans bore an interest rate of 1.5% above the prime rate per annum and were repaid in full in July 1995. The Company believes the terms of the loans with Messrs. Nelson and Kratz were at least as favorable as could have been obtained from unaffiliated third parties.

Pursuant to Mr. Kratz's employment agreement, if he is terminated by the Company during the term of his employment agreement without cause or voluntarily resigns from the Company, Cal Dive shall be obligated to purchase a number of shares from Mr. Kratz having a fair market value equal to \$2.3 million.

DESCRIBED BELOW ARE CERTAIN RELATED AGREEMENTS. THE FOLLOWING DESCRIPTIONS ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE COMPLETE TEXT OF THE RELEVANT AGREEMENTS, COPIES OF WHICH ARE FILED AS EXHIBITS TO THE REGISTRATION STATEMENT OF WHICH THIS PROSPECTUS IS A PART AND ARE INCORPORATED BY REFERENCE HEREIN.

#### PURCHASE AGREEMENT

On April 11, 1997, the Company, the Selling Shareholders, Messrs. Reuhl, Kratz and Nelson and certain other shareholders of the Company entered into an agreement with Coflexip pursuant to which (i) the Company sold to Coflexip 528,541 shares of Common Stock and (ii) certain shareholders of the Company, including Messrs. Reuhl, Kratz and Nelson, sold to Coflexip 3,171,247 shares of Common Stock, all at a purchase price of \$9.46 per share for an aggregate price of \$35 million (the "Purchase Agreement"). For issuing Common Stock to Coflexip, the Company received \$5 million in consideration, consisting of two heavy work class construction ROVs. Among other terms of the Purchase Agreement, the Company was required to make a number of specific representations, warranties and covenants about its business, capital structure, assets and liabilities. Individual selling shareholders were required to make separate representations. The Company and Coflexip also agreed to indemnify each other against certain claims and liabilities arising in connection with the transaction for a minimum of three years for up to the amount of consideration transferred for shares, in the case of the Company, or for value assets transferred, in the case of Coflexip.

#### SHAREHOLDERS AGREEMENT

##### COMPOSITION OF THE BOARD

Pursuant to the Shareholders Agreement, the Board will consist of 11 members. The Company will include, as nominees for the Board, nine directors, three from Coflexip, three from First Reserve and three from the Company's senior management. In addition, the Board will nominate two additional directors by a majority vote of the entire Board, to serve in separate classes. The Shareholders Agreement provides that the Company will nominate and use its best efforts to take all necessary action to elect to the Board the individuals required to be nominated for election as directors.

#### RIGHT OF FIRST OFFER

The Shareholders Agreement provides that the Company will not enter into any agreement (i) to sell the Company (ii) to retain an advisor to sell the Company or (iii) to pursue any acquisition in excess of 50% of the Company's market capitalization (based on the 30-day average trading value of the Common Stock) without first notifying Coflexip in writing and providing Coflexip with the right to acquire the Company without first notifying Coflexip in writing and providing Coflexip (including its affiliates) the opportunity to consummate an acquisition on terms substantially equivalent to any proposal. If Coflexip does not notify the Company of its intent to pursue a transaction within 15 days of the notice (the "Notice Period"), the Board will have the right to pursue the transaction.

If Coflexip elects to pursue an acquisition of the Company, the Company will take no further action with respect thereto for 120 days from the date of Coflexip's notice. If Coflexip does not pursue an acquisition of the Company, Coflexip has the right to acquire the Company's interest in the joint venture formed pursuant to the Business Cooperation Agreement by providing notice within the Notice Period. The purchase price for the joint venture shall be based on a valuation prepared by an independent appraiser appointed by the Board. Coflexip retains the foregoing rights to acquire the Company or the joint venture so long as it owns at least five percent of the Company's Common Stock.

#### LIMITED PREEMPTIVE RIGHTS

The Shareholders Agreement provides that, except under limited circumstances (including issuances of securities under stock option plans or in connection with acquisitions), the Company shall provide preemptive rights to acquire the Company's securities to each of Coflexip, First Reserve and the Executive Directors. In the event of any public offering (other than this Offering), Coflexip and First Reserve shall have the opportunity to acquire their pro rata share unless the managing underwriters for such offering believe it would materially and adversely affect the marketability of such offering.

#### LIMITATIONS ON TRANSFERS

The Shareholders Agreement contains certain customary transfer restrictions that prohibit the parties from transferring any Common Stock, except for certain permitted transfers.

#### BUSINESS COOPERATION AGREEMENT

In connection with the Purchase Agreement, the Company and Coflexip entered into a Business Cooperation Agreement pursuant to which the parties intend to form an entity to pursue EPIC projects in the offshore oil and gas industry in the Gulf and the Caribbean exceeding \$25 million in value and meeting certain other criteria. For further information, see "Business -- Coflexip Strategic Alliance."

#### REGISTRATION RIGHTS AGREEMENTS

In January 1995, the Company and certain shareholders entered into an agreement pursuant to which they sold an aggregate of 5,549,630 shares of Common Stock to the Selling Shareholders at a purchase price of \$4.50 per share. In connection with the purchases of such shares of Common Stock, each of the Selling Shareholders entered into a registration rights agreement with the Company and Gerald G. Reuhl, Owen Kratz, S. James Nelson and the other shareholders of the Company providing for demand and "piggyback" registration rights with respect to such shares. This registration rights agreement will be amended after this Offering to provide these shareholders with similar rights as provided in the 1997 Registration Rights Agreement with Coflexip described in the next paragraph.

In connection with the Purchase Agreement, the Company and Coflexip entered into a registration rights agreement providing for demand and "piggyback" registration rights with respect to such shares (the "1997 Registration Rights Agreement"). See "Description of Capital Stock -- Registration Rights."

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information as of April 30, 1997, with respect to the beneficial ownership of Common Stock by (i) each shareholder of the Company who owns more than 5% of the outstanding stock, (ii) each director of the Company, (iii) each of the Named Executives, (iv) all directors and executive officers as a group and (v) each Selling Shareholder.

| NAME                                                                  | SHARES BENEFICIALLY OWNED PRIOR TO OFFERING(1) |         | SHARES BEING OFFERED | SHARES BENEFICIALLY OWNED AFTER OFFERING(1)(2) |         |
|-----------------------------------------------------------------------|------------------------------------------------|---------|----------------------|------------------------------------------------|---------|
|                                                                       | NUMBER                                         | PERCENT |                      | NUMBER                                         | PERCENT |
| Gerald G. Reuhl(3)(4).....                                            | 1,054,001                                      | 9.1%    | --                   | 1,054,001                                      | 7.5%    |
| Owen Kratz(3)(4).....                                                 | 1,440,929                                      | 12.4    | --                   | 1,440,929                                      | 10.2    |
| S. James Nelson(3).....                                               | 367,393                                        | 3.2     | --                   | 367,393                                        | 2.6     |
| Lyle K. Kuntz.....                                                    | --                                             | *       | --                   | --                                             | *       |
| Randall W. Drewry.....                                                | 65,803                                         | *       | --                   | 65,803                                         | *       |
| Gordon F. Ahalt(5).....                                               | 35,000                                         | *       | --                   | 35,000                                         | *       |
| William E. Macaulay(6)....                                            | 4,492,548                                      | 38.6    | 1,100,000            | 3,392,548                                      | 24.0    |
| John A. Hill(6).....                                                  | 4,492,548                                      | 38.6    | 1,100,000            | 3,392,548                                      | 24.0    |
| Gerald M. Hage(7).....                                                | 22,000                                         | *       | --                   | 22,000                                         | *       |
| Thomas M. Ehret.....                                                  | --                                             | *       | --                   | --                                             | *       |
| Jean-Bernard Fay.....                                                 | --                                             | *       | --                   | --                                             | *       |
| Kenneth Hulls.....                                                    | --                                             | *       | --                   | --                                             | *       |
| First Reserve Fund VI(8)...                                           | 2,156,421                                      | 18.5    | 528,000              | 1,628,421                                      | 11.5    |
| First Reserve Fund V(8)....                                           | 1,527,472                                      | 13.1    | 374,001              | 1,153,471                                      | 8.2     |
| First Reserve Fund V-2(8).....                                        | 449,252                                        | 3.9     | 109,999              | 339,253                                        | 2.4     |
| First Reserve Secured Energy Assets Fund(8)....                       | 359,403                                        | 3.1     | 88,000               | 271,403                                        | 1.9     |
| Coflexip(9).....                                                      | 3,699,788                                      | 31.8    | --                   | 3,699,788                                      | 26.2    |
| All directors and executive officers as a group (19 persons)(10)..... | 7,477,674                                      | 67.2    | 1,100,000            | 6,377,674                                      | 45.1    |

\* Less than 1%.

- (1) Unless otherwise indicated, the persons listed in the table have sole voting and investment power with respect to all shares shown as beneficially owned by them.
- (2) The number of shares of Common Stock deemed outstanding after this Offering includes 2.5 million shares of Common Stock being offered for sale by the Company in this Offering.
- (3) The address of each executive officer is 13430 Northwest Freeway, Suite 350, Houston, Texas 77040.
- (4) Messrs. Reuhl and Kratz are parties to an option agreement pursuant to which Mr. Kratz can purchase up to 168,350 shares of Common Stock from Mr. Reuhl. If such option were exercised in full, Messrs. Reuhl and Kratz would own 885,651 and 1,609,279 shares of Common Stock, respectively, after the Offering.
- (5) Does not include 22,000 shares issuable upon exercise of options held by Mr. Ahalt.
- (6) The address of Messrs. Macaulay and Hill is c/o First Reserve Corporation, 475 Steamboat Rd., Greenwich, Connecticut 06830. The 4,492,548 shares indicated as beneficially owned by Messrs. Macaulay and Hill are owned of record by First Reserve Fund VI Limited Partnership, First Reserve Fund V, Limited Partnership, First Reserve Fund V-2 Limited Partnership and First Reserve Energy Assets Fund, Limited Partnership, of which First Reserve Corporation is the sole general partner and as to which it possesses sole voting and investment power. Through their ownership of common stock of First Reserve Corporation, Messrs. Macaulay and Hill may be deemed to share beneficial ownership of the shares shown as beneficially owned by First Reserve Corporation. Messrs. Macaulay and Hill disclaim beneficial ownership of such shares of Common Stock.
- (7) Includes 22,000 shares issuable upon exercise of options held by Mr. Hage.
- (8) The address of First Reserve Fund VI, First Reserve Fund V, First Reserve Fund V-2 and First Reserve Secured Energy Assets Fund is c/o First Reserve Corporation, 475 Steamboat Road, Greenwich, Connecticut 06830.
- (9) The address of Coflexip is 23 Avenue de Neuilly, 75116 Paris, France.
- (10) Includes shares issuable upon exercise of options to directors and executive officers.

## DESCRIPTION OF CAPITAL STOCK

Cal Dive's Amended and Restated Articles of Incorporation (the "Articles of Incorporation") provide for authorized capital stock of 60,000,000 shares of Common Stock, no par value per share, of which 14,127,801 shares will be outstanding upon completion of this Offering, and 5,000,000 shares of Preferred Stock, \$.01 par value per share ("Preferred Stock"), of which no shares will be outstanding upon completion of this Offering. The following summary description of the capital stock of the Company is qualified in its entirety by reference to the Articles of Incorporation and the Company's Amended and Restated Bylaws (the "Bylaws"), a copy of each of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part.

### COMMON STOCK

The holders of Common Stock are entitled to one vote for each share on all matters voted on by shareholders, and except as otherwise required by law or as provided in any resolution adopted by the Board of Directors with respect to any series of Preferred Stock, the holders of shares of Common Stock exclusively possess all voting power.

Subject to any preferential rights of any outstanding series of Preferred Stock created by the Board of Directors from time to time, the holders of Common Stock are entitled to such dividends as may be declared from time to time by the Board of Directors from funds available therefor, and upon liquidation will be entitled to receive pro rata all assets of the Company available for distribution to such holders. The Common Stock is not convertible or redeemable and there are no sinking fund provisions therefor. Holders of the Common Stock are not entitled to any preemptive rights except under the Shareholders Agreement. See "Certain Relationships and Related Transactions."

### PREFERRED STOCK

The Board of Directors of the Company, without any action by the shareholders of the Company, is authorized to issue up to 5,000,000 shares of Preferred Stock, in one or more series and to determine the voting rights, preferences as to dividends and in liquidation and the conversion and other rights of each such series. There are no shares of Preferred Stock outstanding. See "-- Certain Anti-Takeover Provisions" with regard to the effect that the issuance of Preferred Stock might have on attempts to take over the Company.

### REGISTRATION RIGHTS

The Company has entered into both a First Amended and Restated 1995 Registration Rights Agreement and a 1997 Registration Rights Agreement with certain of its current shareholders, the latter with Coflexip and the former with Gerald G. Reuhl, Owen Kratz, S. James Nelson and the Selling Shareholders, pursuant to which the holders are entitled to certain demand and "piggyback" rights with respect to the registration of such shares under the Securities Act. These registration rights agreements provide that if the Company proposes to register any of its securities under the Securities Act, the holder is entitled to include shares of Common Stock owned by such holder in such offering provided, among other conditions, that the underwriters of any offering have the right to limit the number of such shares included in such registration. Such registration rights agreements further provide for registration upon the request of holders of at least 5% of the shares of Common Stock subject to the agreement. The Selling Shareholders, which collectively hold 4,492,548 shares of Common Stock, are exercising their respective registration rights with respect to a portion of the shares held by them in connection with this Offering. The other shareholders, with the exception of the Selling Shareholders, have waived their right to include shares of Common Stock owned by each of them in this Offering.

### CERTAIN ANTI-TAKEOVER PROVISIONS

The Articles of Incorporation and Bylaws contain a number of provisions that could make the acquisition of the Company by means of a tender or exchange offer, a proxy contest or otherwise more difficult. The description of such provisions set forth below is intended to be only a summary and is qualified in its entirety by reference to the pertinent sections of the Articles of Incorporation

and the Bylaws, copies of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part.

**CLASSIFIED BOARD OF DIRECTORS; REMOVAL OF DIRECTORS.** The classification of directors will have the effect of making it more difficult for shareholders to change the composition of the Board of Directors. At least two annual meetings of shareholders generally will be required to effect a change in a majority of the Board of Directors. Such a delay may help ensure that the Company's directors, if confronted by a shareholder attempting to force a proxy contest, a tender or exchange offer or an extraordinary corporate transaction, would have sufficient time to review the proposal as well as any available alternatives to the proposal and to act in what they believe to be the best interest of the shareholders. The classification provisions will apply to every election of directors, however, regardless of whether a change in the composition of the Board of Directors would be beneficial to the Company and its shareholders and whether a majority of the Company's shareholders believes that such a change would be desirable.

The Articles of Incorporation provide that directors of the Company may only be removed by the affirmative vote of the holders of 68% of the voting power of all of the then outstanding shares of stock entitled to vote generally in the election of directors (the "Voting Stock").

The classification provisions could also have the effect of discouraging a third party from initiating a proxy contest, making a tender or exchange offer or otherwise attempting to obtain control of the Company, even though such an attempt might be beneficial to the Company and its shareholders. These provisions could thus increase the likelihood that incumbent directors will retain their positions. In addition, the classification provisions may discourage accumulations of large blocks of the Common Stock that are effected for purposes of changing the composition of the Board of Directors. Accordingly, shareholders could be deprived of certain opportunities to sell their shares of Common Stock at a higher market price than might otherwise be the case.

**PREFERRED STOCK.** The Articles of Incorporation authorize the Board of Directors to establish one or more series of Preferred Stock and to determine, with respect to any series of Preferred Stock, the terms and rights of such series, including (i) the designation of the series, (ii) the number of shares of the series, which number the Board may thereafter (except where otherwise provided in the certificate of designation) increase or decrease (but not below the number of shares thereof then outstanding), (iii) whether dividends, if any, will be cumulative or noncumulative and the dividend rate of the series, (iv) the dates at which dividends, if any, will be payable, (v) the redemption rights and price or prices, if any, for shares of the series, (vi) the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series, (vii) the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, (viii) whether the shares of the series will be convertible into shares of any other class or series, or any other security, of the Company or any other corporation, and, if so, the specification of such other class or series or such other security, the conversion price or prices or rate or rates, any adjustments thereof, the date or dates as of which such shares shall be convertible and all other terms and conditions upon which such conversion may be made, (ix) restrictions, if any, on the issuance of shares of the same series or of any other class or series, and (x) voting rights, if any, of the shareholders of such series, which may include the right of such shareholders to vote separately as a class on any matter.

The Company believes that the ability of the Board of Directors to issue one or more series of Preferred Stock will provide the Company with flexibility in structuring possible future financing and acquisitions and in meeting other corporate needs which might arise. The authorized shares of Preferred Stock, as well as shares of Common Stock, will be available for issuance without further action by the Company's shareholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which the Company's securities may be listed or traded.

Although the Board of Directors has no intention at the present time of doing so, it could issue a series of Preferred Stock that, depending on the terms of such series, might impede the

completion of a merger, tender offer or other takeover attempt. The Board of Directors will make any determination to issue such shares based on its judgment as to the best interests of the Company and its shareholders. The Board of Directors, in so acting, could issue Preferred Stock having terms that could discourage an acquisition attempt through which an acquiror may be otherwise able to change the composition of the Board of Directors, including a tender or exchange offer or other transaction that some, or a majority, of the Company's shareholders might believe to be in their best interests or in which shareholders might receive a premium for their stock over the then current market price of such stock.

**NO SHAREHOLDER ACTION BY WRITTEN CONSENT; SPECIAL MEETINGS.** The Articles of Incorporation and Bylaws provide that shareholder action can be taken only at an annual or special meeting of shareholders and prohibit shareholder action by written consent in lieu of a meeting. The Bylaws provide that special meetings of shareholders can be called only upon a written request by the Chief Executive Officer or a majority of the members of the Board of Directors. Shareholders are not permitted to call a special meeting or to require that the Board call a special meeting.

The provisions of the Articles of Incorporation and the Bylaws prohibiting shareholder action by written consent may have the effect of delaying consideration of a shareholder proposal, including a shareholder proposal that a majority of shareholders believes to be in the best interest of the Company, until the next annual meeting unless a special meeting is called. These provisions would also prevent the holders of a majority of the voting stock from unilaterally using the written consent procedure to take shareholder action. Moreover, a shareholder could not force shareholder consideration of a proposal over the opposition of the Board by calling a special meeting of shareholders prior to the time a majority of the Board believes such consideration to be appropriate.

**Amendment of Certain Provisions of the Articles of Incorporation and Bylaws.** Under the MBCA, the shareholders have the right to adopt, amend or repeal the Bylaws and, with the approval of the Board of Directors, the Articles of Incorporation. The Articles of Incorporation provide that the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of Voting Stock, voting together as a single class, and in addition to any other vote required by the Articles of Incorporation or Bylaws, is required to amend provisions of the Articles of Incorporation or Bylaws relating to: (i) the prohibition of shareholder action without a meeting; (ii) the prohibition of shareholders calling a special meeting; (iii) the number, election and term of the Company's directors; (iv) the removal of directors or (v) fixing a quorum for meetings of shareholders. The vote of the holders of a majority of the voting power of the then outstanding shares of Voting Stock is required to amend all other provisions of the Articles of Incorporation. The Bylaws further provide that the Bylaws may be amended by the Board of Directors. These super-majority voting requirements will have the effect of making more difficult any amendment by shareholders of the Bylaws or of any of the provisions of the Articles of Incorporation described above, even if a majority of the Company's shareholders believes that such amendment would be in their best interests.

**ANTI-TAKEOVER LEGISLATION.** As a public corporation, the Company will be governed by the provisions of Section 302A.673 of the MBCA. This anti-takeover provision may eventually operate to deny shareholders the receipt of a premium on their Common Stock and may also have a depressive effect on the market price of the Company's Common Stock. Section 302A.673 prohibits a public corporation (except Coflexip) from engaging in a "business combination" with an "interested shareholder" for a period of four years after the date of the transaction in which the person became an interested shareholder, unless the business combination is approved by a committee of all of the disinterested members of the Board of Directors of the Company before the interested shareholder's share acquisition date. A "business combination" includes mergers, asset sales and other transactions. An "interested shareholder" is a person who is the beneficial owner of 10% or more of the corporation's Voting Stock. Reference is made to the detailed terms of Section 302A.673 of the MBCA.

## LIMITATION ON DIRECTORS' LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Articles of Incorporation contain a provision that eliminates, to the extent currently allowed under the MBCA, the personal monetary liability of a director to the Company and its shareholders for breach of his fiduciary duty of care as a director, except in certain circumstances. If a director were to breach the duty of care in performing his duties as a director, neither the Company nor its shareholders could recover monetary damages from the director, and the only course of action available to the Company's shareholders would be equitable remedies, such as an action to enjoin or rescind a transaction involving a breach of the fiduciary duty of care. To the extent certain claims against directors are limited to equitable remedies, this provision of the Articles of Incorporation may reduce the likelihood of derivative litigation and may discourage shareholders or management from initiating litigation against directors for breach of their duty of care. Additionally, equitable remedies may not be effective in many situations. If a shareholder's only remedy is to enjoin the completion of the Board of Directors' action, this remedy would be ineffective if the shareholder does not become aware of a transaction or event until after it has been completed. In such a situation, such shareholder would have not effective remedy against the directors.

All of the foregoing indemnification provisions include statements that such provisions are not to be deemed exclusive of any other right to indemnity to which a director or officer may be entitled under any by-law, agreement, vote of shareholders or disinterested directors or otherwise.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is Norwest Bank Minnesota, N.A.

## SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this Offering, the Company will have 14,127,801 shares of Common Stock outstanding. The 3,600,000 shares sold in this Offering (plus any additional shares sold upon exercise of the Underwriters' over-allotment option) will be freely tradeable in the public market without restriction or further registration under the Securities Act, except for any shares purchased by "affiliates" of the Company, as that term is defined in Rule 144 promulgated under the Securities Act. The remaining 10,527,801 outstanding shares of Common Stock (the "Restricted Shares"), are deemed to be "restricted securities" within the meaning of Rule 144 and may be publicly resold only if registered under the Securities Act or sold in accordance with an eligible exemption from registration, such as Rule 144. Of the Restricted Shares, 6,828,013 shares will be eligible for resale in the public market immediately, and 3,699,788 shares will be eligible for resale commencing in April 1998, subject in each case to certain volume and other restrictions under Rule 144.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are required to be aggregated), including an affiliate of the Company, who beneficially owns "restricted securities" acquired from the Company or an affiliate of the Company at least one year prior to the sale is entitled to sell within any three-month period a number of shares that does not exceed the greater of (i) one percent of the then outstanding shares of Common Stock (141,278 shares based on the number of shares outstanding immediately after completion of this Offering, assuming no exercise of the Underwriters' over-allotment option), and (ii) the average weekly reported trading volume of the Common Stock during the four calendar weeks immediately preceding the date on which notice of such sale is filed with the Commission, provided certain manner of sale and notice requirements and requirements as to the availability of current public information concerning the Company are satisfied (which requirements as to the availability of current public information are expected to be satisfied commencing 90 days after the date of this Prospectus). Under Rule 144(k), a person who has not been an affiliate of the Company for a period of three months preceding a sale of securities by him, and who beneficially owns such "restricted securities" acquired from the Company or an affiliate of the Company at least two years prior to such sale, would be entitled to sell shares without regard to volume limitations, manner of sale provisions,



notification requirements or requirements as to the availability of current public information concerning the Company. Shares held by persons who are deemed to be affiliates of the Company, including any shares acquired by affiliates in this Offering, are subject to such volume limitations, manner of sale provisions, notification requirements and requirements as to availability of current public information concerning the Company, regardless of how long the shares have been owned or how they were acquired, and, in addition, the sale of any "restricted securities" beneficially owned by affiliates is subject to the one-year holding period requirement. As defined in Rule 144, an "affiliate" of an issuer is a person that directly or indirectly through the use of one or more intermediaries controls, or is controlled by, or is under common control with, such issuer.

The Company, its directors, Messrs. Reuhl, Kratz and Nelson, the Selling Shareholders and Coflexip have agreed that, for a period of 180 days after the date of this Prospectus, they will not, directly or indirectly, offer, sell, contract to sell, grant any option to sell or otherwise dispose of, directly or indirectly, any shares of Common Stock (or securities convertible into or exchangeable for, or any rights to purchase or acquire, Common Stock, other than options under the Stock Option Plan and upon exercise of options granted under the Stock Option Plan) without prior written consent of the Representatives of the Underwriters.

In connection with the purchase of Common Stock by First Reserve in January 1995 and the purchase of Common Stock by Coflexip in April 1997, the Company entered into registration rights agreements which include certain demand and "piggyback" registration rights, on customary terms and conditions, to the Company's existing shareholders who currently hold an aggregate of 10,527,801 shares of Common Stock. Such registration rights are subject to certain notice requirements, timing restrictions and volume limitations. See "Certain Relationships and Related Transactions" and "Description of Capital Stock -- Registration Rights."

The Company has granted options to purchase an aggregate of 911,500 shares of Common Stock under the Stock Option Plan. See "Management -- Compensation Pursuant to Plans." The Company intends to register under the Securities Act the shares issuable upon exercise of options granted under the Stock Option Plan and, upon such registration, such shares will be eligible for resale in the public market, except that any such shares issued to affiliates are subject to the volume limitations and other restrictions of Rule 144.

Prior to this Offering, there has been no public market for the Common Stock, and no prediction can be made as to the effect, if any, that the sale of shares or the availability of shares for sale will have on the market price of the Common Stock prevailing from time to time. Nevertheless, sales of substantial amounts of the Common Stock in the public market could adversely affect prevailing market prices and the ability of the Company to raise equity capital in the future. See "Underwriting."

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, each of the Underwriters named below, and each of the Underwriters for whom Schroder Wertheim & Co. Incorporated, Raymond James & Associates, Inc. and Simmons & Company International are acting as Representatives (the "Representatives") has severally agreed to purchase from the Company and the Selling Shareholders an aggregate of 3,600,000 shares of Common Stock at the price to public less the underwriting discounts set forth on the cover page of this Prospectus, in the amounts set forth below opposite their respective names.

| UNDERWRITERS                             | NUMBER OF<br>SHARES TO<br>BE PURCHASED |
|------------------------------------------|----------------------------------------|
| Schroder Wertheim & Co. Incorporated.... |                                        |
| Raymond James & Associates, Inc.....     |                                        |
| Simmons & Company International.....     |                                        |
| Total.....                               | 3,600,000<br>=====                     |

The Underwriting Agreement provides that the Underwriters' obligation to pay for and accept delivery of the shares of Common Stock offered hereby is subject to certain conditions precedent and that the Underwriters will be obligated to purchase all such shares, excluding shares covered by the over-allotment option, if any are purchased. The Underwriters have informed the Company that no sales of Common Stock will be confirmed to discretionary accounts.

The Company has been advised by the Underwriters that they propose initially to offer the Common Stock to the public at the public offering price set forth on the cover page of this Prospectus and to certain dealers at such price, less a concession not in excess of \$            per share. The Underwriters may allow and such dealers may reallocate a concession not in excess of \$            per share to certain other brokers and dealers. After the Offering, the public offering price, the concession and reallowances to dealers and other selling terms may be changed by the Underwriters.

The Company and the Selling Shareholders have granted to the Underwriters an option exercisable for 30 days after the date of this Prospectus to purchase up to an aggregate of 540,000 additional shares of Common Stock to cover over-allotments, if any, at the same price per share to be paid by the Underwriters for the other shares of Common Stock offered hereby. If the Underwriters purchase any such additional shares pursuant to the over-allotment option, each Underwriter will be committed, subject to certain conditions, to purchase a number of the additional shares of Common Stock proportionate to such Underwriter's initial commitment.

The Company, its directors, Messrs. Reuhl, Kratz and Nelson, Coflexip and the Selling Shareholders, who will beneficially own an aggregate of 9,989,659 shares of the Common Stock outstanding after the Offering have agreed with the Representatives, for a period of 180 days after the date of this Prospectus, not to issue, sell, offer to sell, grant any options for the sale of, or otherwise dispose of any shares of Common Stock or any rights to purchase shares of Common Stock (other than stock issued or options granted pursuant to the Company's stock incentive

plans), without the prior written consent of the Representatives. See "Shares Eligible for Future Sale."

The Company and the Selling Shareholders have severally agreed to indemnify the Underwriters against certain liabilities that may be incurred in connection with the sale of the Common Stock, including liabilities arising under the Securities Act, and to contribute to payments that the Underwriters may be required to make with respect thereto.

Prior to this Offering, there has been no public market for the Common Stock. The initial public offering price for the Common Stock will be determined by negotiation between the Company and the Representatives. Among other factors considered in determining the public offering price will be prevailing market and economic conditions, revenues and earnings of the Company, the state of the Company's business operations, an assessment of the Company's management and consideration of the above factors in relation to market valuation of companies in related businesses and other factors deemed relevant. There can be no assurance, however, that the prices at which the Common Stock will sell in the public market after the Offering will not be lower than the public offering price.

In order to facilitate the Offering of the Common Stock, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Common Stock. Specifically, the Underwriters may overallocate in connection with the Offering, creating a short position in the Common Stock for their own account. In addition, to cover overallocations or to stabilize the price of the Common Stock, the Underwriters may bid for, and purchase, shares of Common Stock in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the Common Stock in the Offering, if the syndicate repurchases previously distributed Common Stock in transactions to cover syndicate short positions, in stabilization or otherwise. Any of these activities may stabilize or maintain the market price of the Common Stock above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

In connection with the Coflexip transaction, Schroder Wertheim & Co. Incorporated provided advisory services to Coflexip for which it has received customary compensation. From time to time, Simmons & Company International has provided advisory services to the Company and First Reserve for which it has received customary compensation.

The Company has been approved for quotation of its Common Stock on the Nasdaq National Market under the symbol "CDIS."

#### LEGAL MATTERS

The validity of the Common Stock offered hereby will be passed upon for the Company and the Selling Shareholders by Robins, Kaplan, Miller & Ciresi L.L.P., Minneapolis, Minnesota. Certain legal matters will be passed upon for the Selling Shareholders by Simpson Thacher & Bartlett (a partnership including professional corporations), New York, New York. Vinson & Elkins L.L.P., Houston, Texas will pass upon certain legal matters for the Underwriters.

#### EXPERTS

The consolidated balance sheets as of December 31, 1996 and 1995, and the consolidated statements of operations, cash flows and shareholders' equity for the three years in the period ended December 31, 1996 included in this Prospectus and elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said report.

The estimated reserve evaluations and related calculations of Miller & Lents, Ltd. set forth in this Registration Statement have been included herein in reliance upon the authority of said firm as an expert in petroleum engineering.

#### ADDITIONAL INFORMATION

The Company has not previously been subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. The Company has filed with the Commission a Registration Statement on Form S-1 under the Securities Act with respect to the shares of Common Stock offered by this Prospectus. This Prospectus does not contain all the information set forth in the Registration Statement and the exhibits and schedules thereto. The Registration Statement and the exhibits and schedules thereto filed with the Commission may be inspected, without charge, and copies may be obtained at prescribed rates, at the public reference facilities maintained by the Commission at its principal office at 450 Fifth Street, N.W., Washington, D.C. 20549 and the Commission's regional offices or public reference facilities of the Commission located at 7 World Trade Center, 13th Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. The Registration Statement and other information filed by the Company with the Commission are also available at the web site of the Commission at <http://www.sec.gov>. For further information pertaining to the Company and to the shares of Common Stock offered hereby, reference is made to the Registration Statement including the exhibits and schedules thereto. Any statements contained herein concerning provisions of any document filed as an exhibit to the Registration Statement or otherwise filed with the Commission are not necessarily complete, and in each instance reference is made to the copy of such document so filed. Each statement is qualified in its entirety by such reference.

#### REPORTS TO SHAREHOLDERS

The Company intends to furnish its shareholders with annual reports containing audited consolidated financial statements certified by independent public accountants following the end of each fiscal year, and quarterly reports containing unaudited consolidated financial statements for the first three quarters of each fiscal year following the end of each such fiscal quarter.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Cal Dive International, Inc. (a Minnesota corporation), and subsidiary as of December 31, 1995 and 1996, and the related consolidated statements of operations, shareholders' equity and cash flows for the three years in the period ended December 31, 1996. These consolidated 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 generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cal Dive International, Inc., and subsidiary as of December 31, 1995 and 1996, and the results of their operations and their cash flows for the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

Houston, Texas  
March 7, 1997 (except with respect  
to the matters discussed in Note 13,  
as to which the date is  
April 30, 1997)

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS -- DECEMBER 31, 1995 AND 1996  
AND MARCH 31, 1997 (UNAUDITED)

|                                      | DECEMBER 31,  |               | MARCH 31,     |
|--------------------------------------|---------------|---------------|---------------|
|                                      | 1995          | 1996          | 1997          |
|                                      | (UNAUDITED)   |               |               |
| ASSETS                               |               |               |               |
| CURRENT ASSETS:                      |               |               |               |
| Cash and cash equivalents.....       | \$ 159,310    | \$ 203,663    | \$ 1,108,893  |
| Accounts receivable --               |               |               |               |
| Trade, net of revenue                |               |               |               |
| allowance on gross amounts           |               |               |               |
| billed of \$402,000,                 |               |               |               |
| \$1,021,000 and \$735,000            |               |               |               |
| (unaudited).....                     | 5,143,247     | 18,848,837    | 9,851,640     |
| Unbilled revenue.....                | 5,782,410     | 7,363,631     | 7,146,228     |
| Other current assets.....            | 2,260,937     | 2,754,609     | 3,439,587     |
|                                      | 13,345,904    | 29,170,740    | 21,546,348    |
| PROPERTY AND EQUIPMENT.....          | 34,584,088    | 61,466,303    | 64,483,144    |
| Less- Accumulated depreciation.....  | (8,411,353)   | (13,259,914)  | (15,089,350)  |
|                                      | 26,172,735    | 48,206,389    | 49,393,794    |
| OTHER ASSETS:                        |               |               |               |
| Cash deposits restricted for         |               |               |               |
| salvage operations.....              | 4,978,720     | 5,233,509     | 5,365,049     |
| Loan acquisition costs and other     |               |               |               |
| assets, net.....                     | 361,537       | 445,673       | 429,708       |
|                                      | \$ 44,858,896 | \$ 83,056,311 | \$ 76,734,899 |
|                                      | 44,858,896    | 83,056,311    | 76,734,899    |
| LIABILITIES AND SHAREHOLDERS' EQUITY |               |               |               |
| CURRENT LIABILITIES:                 |               |               |               |
| Accounts payable.....                | \$ 5,219,215  | \$ 9,909,349  | \$ 8,738,247  |
| Accrued liabilities.....             | 4,093,727     | 5,757,893     | 3,719,394     |
| Income taxes payable.....            | --            | 94,280        | 513,499       |
|                                      | 9,312,942     | 15,761,522    | 12,971,140    |
| LONG-TERM DEBT.....                  | 5,300,000     | 25,000,000    | 19,000,000    |
| DEFERRED INCOME TAXES.....           | 2,915,555     | 5,417,188     | 5,917,188     |
| DECOMMISSIONING LIABILITIES.....     | 4,921,900     | 6,033,831     | 6,118,131     |
| COMMITMENTS AND CONTINGENCIES.....   |               |               |               |
| SHAREHOLDERS' EQUITY:                |               |               |               |
| Common stock, no par, 20,000,000     |               |               |               |
| shares authorized, 18,448,010        |               |               |               |
| shares issued and outstanding....    | 9,093,040     | 9,093,040     | 9,093,040     |
| Retained earnings.....               | 17,370,990    | 25,806,261    | 27,690,931    |
| Treasury stock, 7,348,750 shares,    |               |               |               |
| at cost.....                         | (4,055,531)   | (4,055,531)   | (4,055,531)   |
|                                      | 22,408,499    | 30,843,770    | 32,728,440    |
|                                      | \$ 44,858,896 | \$ 83,056,311 | \$ 76,734,899 |
|                                      | 44,858,896    | 83,056,311    | 76,734,899    |

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

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996  
AND THREE MONTHS ENDED MARCH 31, 1996 AND 1997 (UNAUDITED)

|                                                      | YEAR ENDED DECEMBER 31, |               |               | THREE MONTHS ENDED MARCH 31, |               |
|------------------------------------------------------|-------------------------|---------------|---------------|------------------------------|---------------|
|                                                      | 1994                    | 1995          | 1996          | 1996                         | 1997          |
|                                                      | (UNAUDITED)             |               |               |                              |               |
| NET REVENUES:                                        |                         |               |               |                              |               |
| Subsea and salvage revenues.....                     | \$ 35,717,882           | \$ 32,747,484 | \$ 63,870,190 | \$ 8,714,953                 | \$ 13,587,946 |
| Natural gas and oil<br>production.....               | 2,314,219               | 4,777,122     | 12,252,187    | 2,470,351                    | 4,856,532     |
|                                                      | 38,032,101              | 37,524,606    | 76,122,377    | 11,185,304                   | 18,444,478    |
| COST OF SALES:                                       |                         |               |               |                              |               |
| Subsea and salvage.....                              | 25,476,808              | 25,568,063    | 46,765,933    | 6,636,388                    | 10,780,836    |
| Natural gas and oil<br>production.....               | 1,594,450               | 3,107,203     | 7,269,966     | 1,400,495                    | 2,240,953     |
| Gross profit.....                                    | 10,960,843              | 8,849,340     | 22,086,478    | 3,148,421                    | 5,422,689     |
| SELLING AND ADMINISTRATIVE EXPENSES:                 |                         |               |               |                              |               |
| Selling expenses.....                                | 1,006,754               | 938,883       | 1,157,807     | 283,504                      | 361,420       |
| Administrative expenses.....                         | 3,649,619               | 3,993,018     | 7,133,663     | 1,163,987                    | 1,854,387     |
| Total selling and<br>administrative<br>expenses..... | 4,656,373               | 4,931,901     | 8,291,470     | 1,447,491                    | 2,215,807     |
| INCOME FROM<br>OPERATIONS.....                       | 6,304,470               | 3,917,439     | 13,795,008    | 1,700,930                    | 3,206,882     |
| OTHER INCOME AND EXPENSE:                            |                         |               |               |                              |               |
| Interest expense, net.....                           | 428,324                 | 134,743       | 745,182       | 64,499                       | 318,129       |
| Other (income) expense, net.....                     | 69,399                  | 61,525        | 35,608        | 10,455                       | 12,943        |
| INCOME BEFORE INCOME TAXES.....                      | 5,806,747               | 3,721,171     | 13,014,218    | 1,625,976                    | 2,875,810     |
| PROVISION FOR INCOME TAXES.....                      | 1,773,090               | 1,047,428     | 4,578,947     | 468,964                      | 991,140       |
| NET INCOME.....                                      | \$ 4,033,657            | \$ 2,673,743  | \$ 8,435,271  | \$ 1,157,012                 | \$ 1,884,670  |
| NET INCOME PER SHARE.....                            | \$ .46                  | \$ .24        | \$ .75        | \$ .10                       | \$ .17        |
| WEIGHTED AVERAGE COMMON SHARES<br>OUTSTANDING.....   | 8,836,077               | 11,015,953    | 11,286,117    | 11,278,826                   | 11,272,029    |

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



CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996  
AND THREE MONTHS ENDED MARCH 31, 1997 (UNAUDITED)

|                                                      | COMMON STOCK                     |              | RETAINED<br>EARNINGS | TREASURY STOCK |                |
|------------------------------------------------------|----------------------------------|--------------|----------------------|----------------|----------------|
|                                                      | SHARES                           | AMOUNT       |                      | SHARES         | AMOUNT         |
| BALANCE, December 31, 1993.....                      | 18,388,010                       | \$ 1,178,340 | \$ 10,663,590        | (10,068,600)   | \$ (5,481,945) |
| NET INCOME.....                                      | --                               | --           | 4,033,657            | --             | --             |
| BALANCE, December 31, 1994.....                      | 18,388,010                       | 1,178,340    | 14,697,247           | (10,068,600)   | (5,481,945)    |
| NET INCOME.....                                      | --                               | --           | 2,673,743            | --             | --             |
| EXERCISE OF WARRANTS AND STOCK<br>OPTIONS.....       | 60,000                           | 121,500      | --                   | 500,000        | 150,000        |
| SALE OF TREASURY STOCK.....                          | --                               | 8,723,586    | --                   | 2,219,850      | 1,276,414      |
| COSTS ASSOCIATED WITH SALE<br>OF TREASURY STOCK..... | --                               | (930,386)    | --                   | --             | --             |
| BALANCE, December 31, 1995.....                      | 18,448,010                       | 9,093,040    | 17,370,990           | (7,348,750)    | (4,055,531)    |
| NET INCOME.....                                      | --                               | --           | 8,435,271            | --             | --             |
| BALANCE, December 31, 1996.....                      | 18,448,010                       | 9,093,040    | 25,806,261           | (7,348,750)    | (4,055,531)    |
| NET INCOME (unaudited).....                          | --                               | --           | 1,884,670            | --             | --             |
| BALANCE, March 31, 1997<br>(unaudited).....          | 18,448,010                       | \$ 9,093,040 | \$ 27,690,931        | (7,348,750)    | \$ (4,055,531) |
|                                                      | =====                            | =====        | =====                | =====          | =====          |
|                                                      | TOTAL<br>SHAREHOLDERS'<br>EQUITY |              |                      |                |                |
| BALANCE, December 31, 1993.....                      | \$ 6,359,985                     |              |                      |                |                |
| NET INCOME.....                                      | 4,033,657                        |              |                      |                |                |
| BALANCE, December 31, 1994.....                      | 10,393,642                       |              |                      |                |                |
| NET INCOME.....                                      | 2,673,743                        |              |                      |                |                |
| EXERCISE OF WARRANTS AND STOCK<br>OPTIONS.....       | 271,500                          |              |                      |                |                |
| SALE OF TREASURY STOCK.....                          | 10,000,000                       |              |                      |                |                |
| COSTS ASSOCIATED WITH SALE<br>OF TREASURY STOCK..... | (930,386 )                       |              |                      |                |                |
| BALANCE, December 31, 1995.....                      | 22,408,499                       |              |                      |                |                |
| NET INCOME.....                                      | 8,435,271                        |              |                      |                |                |
| BALANCE, December 31, 1996.....                      | 30,843,770                       |              |                      |                |                |
| NET INCOME (unaudited).....                          | 1,884,670                        |              |                      |                |                |
| BALANCE, March 31, 1997<br>(unaudited).....          | \$ 32,728,440                    |              |                      |                |                |
|                                                      | =====                            |              |                      |                |                |

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

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1994, 1995 AND 1996  
AND THREE MONTHS ENDED MARCH 31, 1996 AND 1997 (UNAUDITED)

|                                                                                               | DECEMBER 31,       |                  |               | MARCH 31,       |                |
|-----------------------------------------------------------------------------------------------|--------------------|------------------|---------------|-----------------|----------------|
|                                                                                               | 1994               | 1995             | 1996          | 1996            | 1997           |
|                                                                                               | (UNAUDITED)        |                  |               |                 |                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                                  |                    |                  |               |                 |                |
| Net income.....                                                                               | \$ 4,033,657       | \$ 2,673,743     | \$ 8,435,271  | \$ 1,157,012    | \$ 1,884,670   |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities -- |                    |                  |               |                 |                |
| Depreciation and amortization.....                                                            | 2,017,015          | 2,794,506        | 5,257,255     | 944,281         | 1,845,401      |
| Deferred income taxes.....                                                                    | 203,378            | 634,729          | 2,122,094     | --              | 500,000        |
| Changes in operating assets and liabilities:                                                  |                    |                  |               |                 |                |
| Accounts receivable, net.....                                                                 | (5,161,776)        | 2,591,866        | (15,286,811)  | (788,638)       | 9,214,600      |
| Other current assets.....                                                                     | 110,678            | 1,573,909        | (299,433)     | (938,242)       | (684,978)      |
| Accounts payable and accrued liabilities.....                                                 | 703,517            | 1,639,616        | 6,354,300     | (1,514,777)     | (3,209,601)    |
| Income taxes payable/receivable.....                                                          | 37,712             | (327,042)        | 279,580       | 468,964         | 419,219        |
| Other noncurrent, net.....                                                                    | (1,087,185)        | 414,146          | 782,436       | (6,060)         | 84,300         |
| Net cash provided by (used in) operating activities.....                                      | 856,996            | 11,995,473       | 7,644,692     | (677,460)       | 10,053,611     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                                  |                    |                  |               |                 |                |
| Capital expenditures.....                                                                     | (1,396,995)        | (16,857,354)     | (27,289,754)  | (592,059)       | (3,016,841)    |
| Purchase of deposits restricted for salvage operations.....                                   | (1,652,257)        | (2,726,463)      | (254,789)     | (87,497)        | (131,540)      |
| Proceeds from sale of property.....                                                           | --                 | --               | 244,204       | 5,500           | --             |
| Net cash used in investing activities.....                                                    | (3,049,252)        | (19,583,817)     | (27,300,339)  | (674,056)       | (3,148,381)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                                  |                    |                  |               |                 |                |
| Sale of treasury stock.....                                                                   | --                 | 10,000,000       | --            | --              | --             |
| Borrowings under term loan facility.....                                                      | --                 | 8,252,919        | 25,000,000    | 1,300,000       | --             |
| Exercise of stock warrants and options.....                                                   | --                 | 271,500          | --            | --              | --             |
| Increase (decrease) in short-term borrowing.....                                              | 1,900,000          | (1,900,000)      | --            | --              | --             |
| Repayments of long-term debt.....                                                             | (1,609,000)        | (8,218,919)      | (5,300,000)   | --              | (6,000,000)    |
| Costs associated with sale of treasury stock.....                                             | --                 | (930,386)        | --            | --              | --             |
| Net cash provided by (used in) financing activities.....                                      | 291,000            | 7,475,114        | 19,700,000    | 1,300,000       | (6,000,000)    |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>                              | <b>(1,901,256)</b> | <b>(113,230)</b> | <b>44,353</b> | <b>(51,516)</b> | <b>905,230</b> |
| <b>CASH AND CASH EQUIVALENTS:</b>                                                             |                    |                  |               |                 |                |
| Balance, beginning of year.....                                                               | 2,173,796          | 272,540          | 159,310       | 159,310         | 203,663        |
| Balance, end of year.....                                                                     | \$ 272,540         | \$ 159,310       | \$ 203,663    | \$ 107,794      | \$ 1,108,893   |

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

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION:

Cal Dive International, Inc. (Cal Dive or the Company), headquartered in Houston, Texas, owns, staffs and operates eight 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, maintenance and repair of pipelines and platforms, and salvage operations. The Company was purchased for approximately \$10.7 million by a group of investors including current management and key employees in a transaction which was effective July 27, 1990. This transaction, which resulted in a 100% change in ownership, was accounted for using the purchase method of accounting.

In September 1992, Cal Dive formed a wholly owned subsidiary, Energy Resource Technology, Inc. (ERT), to purchase producing offshore oil and gas properties 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 abandon the property in full compliance with all governmental regulations.

During 1995, First Reserve Corporation, on behalf of certain of the investment funds it manages, acquired a 50 percent ownership position in the Company by purchasing shares held by the employees and treasury shares held by the Company (see Note 9).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION

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

INTERIM FINANCIAL STATEMENTS

The unaudited financial information presented for the three-month periods ended March 31, 1996 and 1997 reflects all adjustments (which were normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the consolidated balance sheets, results of operations, and cash flows, as applicable.

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.

NATURAL GAS AND OIL PROPERTIES

All of the Company's interests in its natural gas and oil properties are located in the United States. Under the successful efforts method, the costs of successful wells, and leases containing productive reserves are capitalized.

ERT offshore property acquisitions are recorded at the value exchanged at closing together with an estimate of its proportionate share of the decommissioning liability assumed in the purchase based upon its working interest ownership percentage. In estimating the decommissioning liability to be assumed in offshore property acquisitions, the Company performs very detailed estimating procedures, including engineering studies. Any subsequent changes to the estimated liability are reflected in net income. 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.

The Company recognizes gas and oil revenue from its interests in producing wells as natural gas and oil is produced and sold from those wells.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following is a summary of the components of property and equipment:

|                                                    | ESTIMATED<br>USEFUL LIFE | 1995          | 1996          | MARCH 31,<br>1997 |
|----------------------------------------------------|--------------------------|---------------|---------------|-------------------|
|                                                    | -----                    | -----         | -----         | -----             |
|                                                    |                          |               |               | (UNAUDITED)       |
| Vessels.....                                       | 15                       | \$ 21,066,687 | \$ 40,403,400 | \$ 43,033,725     |
| Offshore leases and equipment.....                 | UOP                      | 8,030,826     | 14,766,670    | 14,852,023        |
| Machinery and equipment.....                       | 5                        | 4,466,514     | 5,125,500     | 5,148,941         |
| Furniture, software and computer<br>equipment..... | 5                        | 885,325       | 1,060,510     | 1,201,625         |
| Automobiles and trucks.....                        | 3                        | 134,736       | 110,223       | 246,830           |
|                                                    |                          | -----         | -----         | -----             |
| Total property and equipment....                   |                          | \$ 34,584,088 | \$ 61,466,303 | \$ 64,483,144     |
|                                                    |                          | =====         | =====         | =====             |

The cost of repairs and maintenance of vessels and equipment is charged to operations as incurred, while the cost of improvements is capitalized. Drydocking costs (exclusive of the cost of new steel and new equipment added to a vessel) are also charged to operations as incurred. Total repair and maintenance charges were \$1,518,000, \$2,368,000 and \$3,655,000 for the years ended December 31, 1994, 1995 and 1996, respectively. Upon the disposition of property and equipment, the related cost and accumulated depreciation accounts are relieved, and the resulting gain or loss is included in other income (expense).

In March 1995, Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," was issued. SFAS No. 121, which becomes effective for fiscal years beginning after December 15, 1995, requires that certain long-lived assets be reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable and that an impairment loss be recognized under certain circumstances in the amount by which the carrying value exceeds the fair value of the asset. The Company adopted SFAS No. 121 in January 1996, as required, and the adoption had no effect on the Company's results of operations or financial position.

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.

REVENUE RECOGNITION

The Company earns the majority of its service 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

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

which has not yet been invoiced. All amounts included in unbilled revenue at December 31, 1995 and 1996, 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 will also include billings for services provided which the Company believes are outside the scope of the original quote. The Company then establishes a Revenue Allowance for these additional billings based on its collections history.

MAJOR CUSTOMERS AND CONCENTRATION OF CREDIT RISK

The market for the Company's services is the offshore oil and gas industry, and 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; however, such losses have historically been insignificant.

Two customers which represented 26 percent and 10 percent, respectively, of 1994 revenues merged during 1995 and accounted for 21 percent and 24 percent of consolidated revenues in the years 1995 and 1996, respectively.

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.

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, 1994, 1995 and 1996, the Company's cash payments for interest were approximately \$559,000, \$526,000 and \$1,069,000, respectively, and cash payments for federal income taxes were approximately \$1,633,000, \$663,000 and \$2,200,000, respectively. In connection with 1995 and 1996 offshore property acquisitions, ERT assumed net abandonment liabilities estimated at approximately \$3,800,000 and \$1,200,000, respectively (see Note 3).

INVESTMENTS

The Company follows SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Under SFAS No. 115, debt securities, including treasury bills and notes, that the Company has both the intent and ability to hold to maturity, are carried at amortized cost and are included in cash deposits restricted for salvage operations in the accompanying consolidated balance sheets. As all of these securities as of December 31, 1996, are U.S. Treasury securities and notes, the majority of which mature beyond one year, the Company believes the recorded balance of these securities approximates their fair market value.

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. OFFSHORE PROPERTY ACQUISITIONS:

In 1992 and 1994, ERT acquired a 100 percent net working interest in three offshore properties for value exchanged and for ERT assuming the liability to plug the wells, abandon the platform and remediate the site. Upon depletion during 1994, the property purchased in 1992 was salvaged and abandoned in full compliance with all regulatory requirements and included a transaction structured as a Section 1031 "Like Kind" exchange for tax purposes. Accordingly, the cash received (\$508,000) plus accrued interest at December 31, 1994, was restricted and used for

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

the acquisition of ERT properties during 1995. During 1995, net working interests of 50 percent to 100 percent in seven offshore blocks were acquired in exchange for cash of \$1,780,000 and ERT assuming the related abandonment liabilities. The 1996 property acquisitions included net working interests of 33 percent to 100 percent in four offshore blocks which were acquired for cash of \$3,600,000 and assumption of a pro rata share of the decommissioning liability.

ERT production activities are regulated by the federal government and require a significant amount of 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. Royalty fees paid totaled approximately \$460,000, \$875,000 and \$1,996,000 for the years ended 1994, 1995 and 1996, respectively. In accordance with federal regulations that require operators in the Gulf of Mexico to post an areawide bond of \$3,000,000, cash deposits restricted for salvage operations include U.S. Treasury bonds of \$3,300,000 at December 31, 1995 and 1996, respectively (see Note 2). In addition, the terms of certain of the 1992 and 1993 purchase and sale agreements require that ERT deposit a portion of a property's net production revenue into an interest-bearing escrow account until such time as a specified level of funding has been set aside for salvaging and abandoning the properties. As of December 31, 1996, such deposits totaled \$1,900,000 and are included in cash deposits restricted for salvage operations in the accompanying balance sheet.

4. ACCRUED LIABILITIES:

Accrued liabilities consisted of the following:

|                                                   | DECEMBER 31, |              | MARCH 31,    |
|---------------------------------------------------|--------------|--------------|--------------|
|                                                   | 1995         | 1996         | 1997         |
|                                                   |              |              | (UNAUDITED)  |
| Accrued payroll and related benefits.....         | \$ 1,093,614 | \$ 2,960,710 | \$ 1,218,210 |
| Workers compensation claims.....                  | 1,213,861    | 998,925      | 964,247      |
| Workers compensation claims to be reimbursed..... | 1,210,683    | 698,486      | 777,486      |
| Other.....                                        | 575,569      | 1,099,772    | 759,451      |
| Total accrued liabilities.....                    | \$ 4,093,727 | \$ 5,757,893 | \$ 3,719,394 |
|                                                   | =====        | =====        | =====        |

5. REVOLVING CREDIT FACILITY:

During 1995, the Company entered into a \$30 million revolving credit facility, maturing in May 2000, which is secured by property and equipment and trade receivables. At the Company's option, interest is at a rate equal to 2.00 percent above a Eurodollar base rate (2.25 on borrowings less than \$10 million) or .5 percent above prime. Pursuant to these terms, borrowings at December 31, 1996, included \$22 million at 7.37 percent (Eurodollar option) and \$3 million at 8.75 percent. 1995 year-end borrowings were comprised of \$4.5 million at 8.2 percent (Eurodollar option) and \$800,000 at 9 percent. The Company drew upon the revolving credit facility throughout 1996 and for a total of 238 days during 1995 with maximum borrowings of \$25,000,000 and \$8,000,000 in those years. At March 7, 1997, \$5.9 million was available under the revolving credit facility.

Under this credit facility, letters of credit (LOC) are also available which the Company typically uses if performance bonds are required and, in certain cases, in lieu of purchasing U.S. Treasury bonds in conjunction with ERT property acquisitions. At December 31, 1996, LOC totaling \$4.25 million were outstanding pursuant to these terms.

The revolving credit facility contains, among other restrictions, financial covenants which require the Company to (a) maintain income from operations at specified levels, (b) limit leverage,

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

as defined, to no more than a specified ratio of net worth, (c) maintain certain interest coverage and debt service ratios, as defined, and (d) maintain a minimum ratio of current assets to current liabilities. The Company was in compliance with, or obtained waivers of default from the bank for, these debt covenants at December 31, 1996.

Borrowings during 1994 bore interest at prime plus 1 percent pursuant to a revolving credit and term loan facility in place during those years. During 1994, the Company drew upon this facility for 151 days with a maximum borrowing of \$2,377,000. The amount outstanding on the term loan was converted to the new revolving credit facility in May of 1995.

6. FEDERAL INCOME TAXES:

Federal income taxes have been provided based on the statutory rate of 34 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:

|                                                                                   | 1994 | 1995 | 1996 |
|-----------------------------------------------------------------------------------|------|------|------|
| Statutory rate.....                                                               | 34%  | 34%  | 34%  |
| Percentage depletion related to the natural gas production of ERT properties..... | (3)  | (7)  | --   |
| Other.....                                                                        | --   | 1    | 1    |
|                                                                                   | --   | --   | --   |
| Effective rate.....                                                               | 31%  | 28%  | 35%  |
|                                                                                   | ==   | ==   | ==   |

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

|               | 1994         | 1995         | 1996         |
|---------------|--------------|--------------|--------------|
| Current.....  | \$ 1,569,712 | \$ 412,699   | \$ 2,456,853 |
| Deferred..... | 203,378      | 634,729      | 2,122,094    |
|               | \$ 1,773,090 | \$ 1,047,428 | \$ 4,578,947 |
|               | =====        | =====        | =====        |

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, 1995 and 1996, is as follows:

|                                                                   | 1995         | 1996         |
|-------------------------------------------------------------------|--------------|--------------|
| Deferred tax liabilities --                                       |              |              |
| Depreciation.....                                                 | \$ 2,915,555 | \$ 5,417,188 |
| Total deferred tax liabilities.....                               | 2,915,555    | 5,417,188    |
| Deferred tax assets --                                            |              |              |
| Tax carryforward.....                                             | (67,893)     | --           |
| Reserves, accrued liabilities and other.....                      | (105,145)    | (552,577)    |
| Total deferred tax assets (included in other current assets)..... | (173,038)    | (552,577)    |
| Net deferred tax liability.....                                   | \$ 2,742,517 | \$ 4,864,611 |
|                                                                   | =====        | =====        |

Internal Revenue Service (IRS) conducted an examination of the Company's federal income tax returns for the period from inception (July 27, 1990) through December 1991. In connection with this examination, the IRS proposed additional taxes due based upon its interpretation of the recording of certain transactions at the date the Company was acquired. This matter was settled during 1996 with insignificant impact upon the Company's consolidated financial position, results of operations or net cash flows.

7. COMMITMENTS AND CONTINGENCIES:

LEASE COMMITMENTS

The Company occupies several facilities under noncancelable operating leases, with the more significant leases expiring in 1997. Future minimum rentals under these leases are \$223,000 at December 31, 1996, with \$164,000 in 1997 and the balance thereafter. Total rental expense under operating leases was \$226,000, \$240,000 and \$262,000 for the years ended December 31, 1994, 1995 and 1996, respectively.

INSURANCE AND LITIGATION

The Company carries hull protection on vessels, indemnity insurance and a general umbrella policy. All onshore employees are covered by workers' compensation, and all offshore employees, including divers and tenders, are covered by Jones Act employee coverage, the maritime equivalent of workers' compensation. The Company is exposed to deductible limits on its insurance policies, which vary from \$5,000 to a maximum of \$50,000 per accident occurrence. Effective August 1, 1992, the Company adopted a self-insured (within specified limits) medical and health benefits program for its employees whereby the Company is exposed to a maximum of \$15,000 per claim.

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. See related accrued liabilities at Note 4. Such amounts were \$1,210,683 and \$698,486 as of December 31, 1995 and 1996, respectively. The Company has not incurred any significant losses as a result of claims denied by its insurance carriers. In the opinion of management, the ultimate liability to the Company, if any, which may result from these claims will not materially affect the Company's consolidated financial position, results of operations or net cash flows.

8. 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 and cost 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 \$150,000, \$168,000 and \$197,000 for the years ended December 31, 1994, 1995 and 1996, respectively.

INCENTIVE AND STOCK OPTION PLAN

During 1995, the board of directors and shareholders approved the 1995 Long-Term Incentive Plan (the Incentive Plan). Under the Incentive Plan, a total of 600,000 shares of common stock is available for awards 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 board approval, 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.

The stock option plan is 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 1994, 1995 and 1996 would have been \$4,034,000, \$2,607,000 and \$8,330,000, respectively, and the Company's pro forma earnings per share would have been \$.46, \$.24 and \$.74, respectively. These pro forma results exclude



CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

consideration of options granted prior to January 1, 1995, and therefore may not be representative of that to be expected in future years.

Options outstanding are as follows:

|                                             | 1994    |                                 | 1995      |                                 | 1996     |                                 |
|---------------------------------------------|---------|---------------------------------|-----------|---------------------------------|----------|---------------------------------|
|                                             | SHARES  | WEIGHTED AVERAGE EXERCISE PRICE | SHARES    | WEIGHTED AVERAGE EXERCISE PRICE | SHARES   | WEIGHTED AVERAGE EXERCISE PRICE |
| Options outstanding, beginning of year..... | 560,000 | \$ .35                          | 560,000   | \$ .35                          | 447,500  | \$ 4.50                         |
| Granted.....                                | --      | --                              | 447,500   | 4.50                            | 135,000  | 4.50                            |
| Exercised.....                              | --      | --                              | (560,000) | .35                             | --       | --                              |
| Terminated.....                             | --      | --                              | --        | --                              | (38,000) | 4.50                            |
| Options outstanding, December 31.....       | 560,000 | .35                             | 447,500   | 4.50                            | 544,500  | 4.50                            |
| Options exercisable, December 31.....       | 560,000 | .35                             | 44,000    | 4.50                            | 124,700  | 4.50                            |

All of the options outstanding at December 31, 1996, have an exercise price of \$4.50 and a weighted average remaining contractual life of 3.9 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 for grants in 1995 and 1996: risk-free interest rates of 5.9 percent; expected dividend yields of 0 percent; expected lives of five years; and expected volatility of 0 percent as the Company is a privately held entity and accordingly estimating the expected volatility is not feasible.

9. COMMON STOCK:

During 1991, certain key employees were granted options to purchase 60,000 shares at a price of \$.75 per share. In addition, a member of the management group sold 1,000,000 shares to the Company during 1992 at a price established by the board of directors and was granted an option to repurchase 500,000 of those shares at the same price. All of these options were exercised in 1995 in conjunction with the sale of stock to First Reserve Corporation as discussed below.

During 1995, the board of directors and shareholders approved an amendment to the Articles of Incorporation increasing the number of authorized shares from 2,000,000 to 20,000,000. In connection with this measure, a 10-for-1 stock split was also approved. Accordingly, all of the share and per share information included in the financial statements and notes thereto has been restated retroactively to reflect the 10-for-1 stock split.

During 1995, First Reserve Corporation, on behalf of certain of the investment funds it manages, acquired a 50 percent ownership position in the Company by purchasing 3,329,780 shares held by employees and 2,219,850 treasury shares held by the Company, increasing shareholders' equity by \$10,000,000.

In conjunction with this transaction, the Company entered into an Amended and Restated Shareholders' Agreement which increased the board of directors from five to seven members and which provides that First Reserve Corporation can cause a sale of the Company in certain circumstances (as defined) subsequent to December 31, 1999.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. BUSINESS SEGMENT INFORMATION:

The following summarizes certain financial data by business segment:

|                                           | FOR THE YEAR ENDED DECEMBER 31 |               |               |
|-------------------------------------------|--------------------------------|---------------|---------------|
|                                           | 1994                           | 1995          | 1996          |
| Revenues --                               |                                |               |               |
| Subsea and salvage revenues.....          | \$ 35,717,882                  | \$ 32,747,484 | \$ 63,870,190 |
| Natural gas and oil production.....       | 2,314,219                      | 4,777,122     | 12,252,187    |
| Total.....                                | \$ 38,032,101                  | \$ 37,524,606 | \$ 76,122,377 |
| Income from operations --                 |                                |               |               |
| Subsea and salvage revenues.....          | \$ 6,261,082                   | \$ 3,184,801  | \$ 10,502,576 |
| Natural gas and oil production.....       | 43,388                         | 732,638       | 3,292,432     |
| Total.....                                | \$ 6,304,470                   | \$ 3,917,439  | \$ 13,795,008 |
| Identifiable assets --                    |                                |               |               |
| Subsea and salvage revenues.....          | \$ 22,024,877                  | \$ 30,261,736 | \$ 62,519,348 |
| Natural gas and oil production.....       | 4,705,701                      | 13,386,477    | 19,838,477    |
| Total.....                                | \$ 26,730,578                  | \$ 43,648,213 | \$ 82,357,825 |
| Capital expenditures --                   |                                |               |               |
| Subsea and salvage revenues.....          | \$ 917,893                     | \$ 14,260,225 | \$ 20,037,911 |
| Natural gas and oil production.....       | 479,102                        | 2,597,129     | 7,251,843     |
| Total.....                                | \$ 1,396,995                   | \$ 16,857,354 | \$ 27,289,754 |
| Depreciation and amortization expenses -- |                                |               |               |
| Subsea and salvage revenues.....          | \$ 1,548,575                   | \$ 1,658,588  | \$ 2,525,300  |
| Natural gas and oil production.....       | 468,440                        | 1,135,918     | 2,731,955     |
| Total.....                                | \$ 2,017,015                   | \$ 2,794,506  | \$ 5,257,255  |

11. 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."

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 |               |
|----------------------------------------------------------------------|-------------------|---------------|
|                                                                      | 1995              | 1996          |
| Proved properties being amortized....                                | \$ 8,030,826      | \$ 14,766,670 |
| Less -- Accumulated depletion,<br>depreciation and amortization..... | (1,596,042)       | (3,997,715)   |
| Net capitalized costs.....                                           | \$ 6,434,784      | \$ 10,768,955 |

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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 dates indicated:

|                                        | FOR THE YEAR ENDED DECEMBER 31 |                     |                     |
|----------------------------------------|--------------------------------|---------------------|---------------------|
|                                        | 1994                           | 1995                | 1996                |
| Proved property acquisition costs..... | \$ 1,629,101                   | \$ 6,091,869        | \$ 4,688,003        |
| Development costs.....                 | --                             | 309,856             | 2,047,841           |
| <b>Total costs incurred.....</b>       | <b>\$ 1,629,101</b>            | <b>\$ 6,401,725</b> | <b>\$ 6,735,844</b> |

RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES

|                                                         | FOR THE YEAR ENDED DECEMBER 31 |                     |                     |
|---------------------------------------------------------|--------------------------------|---------------------|---------------------|
|                                                         | 1994                           | 1995                | 1996                |
| Revenues.....                                           | \$ 2,314,219                   | \$ 4,777,122        | \$ 12,252,187       |
| Production (lifting) costs.....                         | 1,126,010                      | 1,971,284           | 4,538,011           |
| Depreciation, depletion and amortization.....           | 468,440                        | 1,135,918           | 2,731,955           |
| Pretax income from producing activities.....            | 719,769                        | 1,669,920           | 4,982,221           |
| Income tax expenses.....                                | 244,721                        | 567,773             | 1,743,777           |
| <b>Results of oil and gas producing activities.....</b> | <b>\$ 475,048</b>              | <b>\$ 1,102,147</b> | <b>\$ 3,238,444</b> |

ESTIMATED QUANTITIES OF PROVED OIL AND GAS RESERVES

Proved 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, 1996, have been reviewed by Miller and Lents, Ltd., independent petroleum engineers. Reserve quantities for periods prior to December 31, 1996 were estimated by the Company's internal engineers and not independent engineers since the Company was a privately held entity. The internal engineers did not revise their estimates for 1994 or 1995 because the Company's properties were proved and producing in the latter stages of their respective lives and revisions to the reserve data were insignificant. Accordingly, no revisions of estimates prior to December 31, 1995 have been reflected. 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.

RESERVE QUANTITY INFORMATION  
(UNAUDITED)

|                                                 | OIL (BBLs.) | GAS (MCF.)  |
|-------------------------------------------------|-------------|-------------|
| Total proved reserves at December 31, 1993..... | 3,247       | 133,967     |
| Production.....                                 | (29,234)    | (1,249,899) |
| Purchases of reserves in place.....             | 100,851     | 4,452,312   |
| Total proved reserves at December 31, 1994..... | 74,864      | 3,336,380   |
| Production.....                                 | (33,093)    | (2,382,309) |
| Purchases of reserves in place.....             | 80,429      | 19,444,029  |
| Total proved reserves at December 31, 1995..... | 122,200     | 20,398,100  |
| Revisions of previous estimates....             | 31,512      | (364,992)   |
| Production.....                                 | (38,417)    | (4,310,328) |
| Purchases of reserves in place.....             | 8,505       | 8,873,620   |
| Total proved reserves at December 31, 1996..... | 123,800     | 24,596,400  |

As of December 31, 1993, 1994 and 1995, all of the Company's proved reserves were developed. As of December 31, 1996, 4,500 Bbls. of oil and 6,325,700 Mcf. of gas of the Company's proved reserves were undeveloped.

CAL DIVE INTERNATIONAL, INC., AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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:

|                                                               | 1995          | 1996          |
|---------------------------------------------------------------|---------------|---------------|
|                                                               | -----         | -----         |
| Future cash inflows.....                                      | \$ 44,127,379 | \$ 92,392,900 |
| Future costs --                                               |               |               |
| Production.....                                               | (23,989,944)  | (26,246,500)  |
| Development and abandonment...                                | (6,167,903)   | (7,365,000)   |
|                                                               | -----         | -----         |
| Future net cash flows before income taxes.....                | 13,969,532    | 58,781,400    |
| Future income taxes.....                                      | (5,071,878)   | (17,980,165)  |
|                                                               | -----         | -----         |
| Future net cash flows.....                                    | 8,897,654     | 40,801,235    |
| Discount at 10% annual rate.....                              | (1,252,573)   | (6,995,808)   |
|                                                               | -----         | -----         |
| Standardized measure of discounted future net cash flows..... | \$ 7,645,081  | \$ 33,805,427 |
|                                                               | =====         | =====         |

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:

|                                                     | 1994        | 1995         | 1996          |
|-----------------------------------------------------|-------------|--------------|---------------|
|                                                     | -----       | -----        | -----         |
| Standardized measure, beginning of year.....        | \$ 122,446  | \$ 604,104   | \$ 7,645,081  |
| Sales, net of production costs.....                 | (1,188,209) | (2,805,838)  | (9,881,548)   |
| Net change in prices, net of production costs.....  | (59,282)    | 1,217,360    | 22,200,743    |
| Changes in future development costs.....            | --          | --           | (555,205)     |
| Development costs incurred.....                     | --          | --           | 2,007,016     |
| Accretion of discount.....                          | 13,092      | 60,410       | 1,200,286     |
| Net change in income taxes.....                     | 8,471       | (4,357,882)  | (10,539,391)  |
| Purchases of reserves in place.....                 | 1,719,149   | 13,067,712   | 21,729,868    |
| Changes in production rates (timing) and other..... | (11,563)    | (140,785)    | (1,423)       |
|                                                     | -----       | -----        | -----         |
| Standardized measures, end of year.....             | \$ 604,104  | \$ 7,645,081 | \$ 33,805,427 |
|                                                     | =====       | =====        | =====         |

12. 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, 1996:

|                        | 1994       | 1995       | 1996         |
|------------------------|------------|------------|--------------|
|                        | -----      | -----      | -----        |
| Beginning balance..... | \$ 212,132 | \$ 364,039 | \$ 402,393   |
| Additions.....         | 605,044    | 464,318    | 1,783,315    |
| Deductions.....        | (453,137)  | (425,964)  | (1,164,623)  |
|                        | -----      | -----      | -----        |
| Ending balance.....    | \$ 364,039 | \$ 402,393 | \$ 1,021,085 |
|                        | =====      | =====      | =====        |

The Company also regularly reviews its trade receivable balances for collectibility and provides Reserves for Bad Debts when necessary; however, as the Company's customers consist primarily of major, well-established oil and pipeline companies and independent oil and gas producers, such reserves have historically been insignificant. See note 2 for a detailed discussion regarding the Company's accounting policy on the revenue allowance on gross amounts billed.

13. SUBSEQUENT EVENTS

INITIAL PUBLIC OFFERING

In April 1997, the Company announced its intention to file a Form S-1 Registration Statement under the Securities Act of 1933. The net proceeds to the Company from the Offering are estimated to be approximately \$29.7 million. The Company intends to use these proceeds to repay

indebtedness incurred in connection with the purchase of, and enhancement to, the UNCLE JOHN and BALMORAL SEA and other vessels and for the purchase of natural gas and oil properties.

STOCK SALE TO COFLEXIP

On April 11, 1997 Coflexip purchased approximately 32% of the Company's Common Stock at a price of \$9.46 per share. Coflexip acquired approximately 3,700,000 shares of the Company's stock, consisting of approximately 2.1 million shares sold by management of the Company, 1.1 million shares sold by First Reserve Funds and approximately 500,000 shares sold by the Company. Coflexip and the Company have formed a strategic alliance to jointly pursue deepwater opportunities in the Gulf of Mexico. The Company had previously, in February of 1997, contracted with Coflexip to acquire two ROVs at published retail prices. Coflexip also agreed to accept approximately 500,000 shares of the Company's Common Stock on April 11, 1997 as payment for the ROVs and as part of the transaction described above.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING COVERED BY THIS PROSPECTUS. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE SELLING SHAREHOLDERS OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR SOLICITATION OF AN OFFER TO BUY, THE COMMON STOCK IN ANY JURISDICTION WHERE, OR TO MAKE ANY PERSON TO WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF.

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UNTIL , 1997 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATIONS OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

3,600,000 SHARES

[COMPANY LOGO]  
CAL DIVE INTERNATIONAL, INC.

COMMON STOCK  
(WITHOUT PAR VALUE)

SCHRODER WERTHEIM & CO.

RAYMOND JAMES  
& ASSOCIATES, INC.

SIMMONS & COMPANY  
INTERNATIONAL

JUNE , 1997  
-----

PART II  
INFORMATION NOT REQUIRED IN PROSPECTUS

13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the estimated costs and expenses of the Registrant in connection with the offering described in the Registration Statement. All of the amounts shown are estimates except the SEC registration fee and the NASD filing fee.

|                                   |    |            |
|-----------------------------------|----|------------|
| SEC Filing Fee.....               | \$ | 17,562     |
| NASD Filing Fee.....              |    | 6,296      |
| NASDAQ Listing Fee.....           |    | 51,820     |
| Legal Fees and Expenses.....      |    | 125,000    |
| Accounting Fees and Expenses..... |    | 180,000    |
| Printing Expenses.....            |    | 130,000    |
| Blue Sky Fees and Expenses.....   |    | 25,000     |
| Miscellaneous Expenses.....       |    | 24,322     |
|                                   |    | -----      |
| Total.....                        | \$ | 560,000(1) |
|                                   |    | =====      |

-----  
(1) All of the issuance and distribution expenses will be borne by the Registrant.

14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Minnesota Statutes Section 302A.521 provides that a corporation organized under Minnesota law shall indemnify any director, officer, employee or agent of the corporation made or threatened to be made a party to a proceeding, by reason of the former or present official capacity (as defined) of the person, against judgments, penalties, fines, settlements and reasonable expenses incurred by the person in connection with the proceedings if certain statutory standards are met. "Proceeding" means a threatened, pending or completed civil, criminal, administrative, arbitration or investigative proceeding, including one by or in the right of the corporation. Section 302A.521 contains detailed terms regarding such rights of indemnification and reference is made thereto for a complete statement of such indemnification rights.

Reference is made to the Underwriting Agreement filed as Exhibit 1 to this Registration Statement for a description of indemnification arrangements related to this Offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

15. RECENT SALES OF UNREGISTERED SECURITIES.

During the last three years, the Company has sold the following securities that were not registered under the Act.

1. On January 12, 1995, the Company issued an aggregate of 3,795,393 shares of Common Stock to First Reserve Secured Energy Assets, First Reserve Fund V, First Reserve Fund V-2 and First Reserve Fund VI at a price of \$4.50 per share for an aggregate consideration of \$10 million.

2. From November 1995 through May 1996, pursuant to the provisions of the 1995 Long Term Incentive Plan, the Company granted options to purchase an aggregate of 476,500 shares of Common Stock at an exercise price of \$4.50 per share to certain employees, including officers and directors.

3. In January 1995, the Company granted options to purchase 15,046 shares of Common Stock at an exercise price of \$4.50 per share to Gerald G. Hage.

4. In April 1997, the Company granted options to employees to purchase an aggregate of 435,000 shares at an exercise price of \$9.50 per share.

5. On April 11, 1997, the Company issued an aggregate of 528,541 shares of Common Stock to Coflexip at a per share price equal to \$9.46 per share in consideration for the purchase of certain assets valued at an aggregate of \$5 million and in entering into a Business Cooperation Agreement pursuant to which the Company and Coflexip intend to form a joint venture for combined services on Gulf of Mexico projects.

No underwriting commissions or discounts were paid with respect to the sales of unregistered securities described herein.

Except as otherwise noted, all of the above sales were made in reliance on Section 4(2) of the Act for transactions not involving a public offering. With regard to the reliance by the Company upon such exemption for registration, certain inquiries were made by the Company to establish that such sales qualified for such exemption from the registration requirements. In particular, the Company confirmed that (i) each purchaser provided the Company with written assurance of investment intent, and the certificates for the shares sold accordingly bear restrictive legends and (ii) sales were made to a limited number of persons.

16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(A) EXHIBITS

| EXHIBIT NO. | DESCRIPTION                                                                                                                                                                                                                                                                                   | MANNER OF FILING |
|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 1.1*        | -- Form of Underwriting Agreement                                                                                                                                                                                                                                                             |                  |
| 3.1*        | -- Amended and Restated Articles of Incorporation                                                                                                                                                                                                                                             |                  |
| 3.2*        | -- By-laws                                                                                                                                                                                                                                                                                    |                  |
| 4.1*        | -- Amended and Restated Loan and Security Agreement by and among the Company, ERT and Fleet Capital Corporation (f/n/a Shawmut Capital Corporation) dated as of May 23, 1995                                                                                                                  |                  |
| 4.2*        | -- Amendment No. 5 to Loan                                                                                                                                                                                                                                                                    |                  |
| 4.3         | -- Specimen of Common Stock certificate                                                                                                                                                                                                                                                       | Filed Herewith   |
| 4.4*        | -- Shareholders Agreement by and among the Company, First Reserve Secured Energy Assets Fund, First Reserve Fund V, First Reserve Fund V-2, First Reserve fund (collectively, the "Selling Shareholders"), Messrs. Reuhl, Kratz and Nelson and other shareholders of the Company and Coflexip |                  |
| 4.5*        | -- Registration Rights Agreement by and among the Company, the Selling Shareholders, Messrs. Reuhl, Kratz, Nelson and other shareholders of the Company                                                                                                                                       |                  |
| 4.6*        | -- Registration Rights Agreement by and between the Company and Coflexip                                                                                                                                                                                                                      |                  |
| 5           | -- Opinion of Robins, Kaplan, Miller & Ciresi L.L.P.                                                                                                                                                                                                                                          | Filed Herewith   |



| EXHIBIT NO. | DESCRIPTION                                                                                         | MANNER OF FILING |
|-------------|-----------------------------------------------------------------------------------------------------|------------------|
| 10.1*       | -- Purchase Agreement dated April 11, 1997 by and between Coflexip and the Company                  |                  |
| 10.2*       | -- Business Cooperation Agreement dated April 11, 1997 by and between Coflexip and the Company      |                  |
| 10.3*       | -- 1995 Long Term Incentive Plan, as amended                                                        |                  |
| 10.4*       | -- Employment Agreement by and between Gerald G. Reuhl and the Company                              |                  |
| 10.5*       | -- Employment Agreement by and between Owen E. Kratz and the Company                                |                  |
| 10.6*       | -- Employment Agreement by and between S. James Nelson and the Company                              |                  |
| 10.7*       | -- 1997 Annual Incentive Compensation Program                                                       |                  |
| 21          | -- Subsidiaries of the Registrant. The Company has one subsidiary, Energy Resource Technology, Inc. |                  |
| 23.1        | -- Consent of Robins, Kaplan, Miller & Ciresi L.L.P. (included in Exhibit 5)                        | Filed Herewith   |
| 23.2        | -- Consent of Arthur Andersen LLP                                                                   | Filed Herewith   |
| 23.3*       | -- Consent of Miller & Lents, Ltd.                                                                  |                  |
| 24*         | -- Power of Attorney (included on signature page)                                                   |                  |

\* Previously filed

(B) FINANCIAL STATEMENT SCHEDULES

None

17. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Act") may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The Registrant hereby undertakes to provide of the Underwriter at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriter to permit prompt delivery to each purchaser.

(c) The undersigned registrant hereby undertakes that:

i. For purposes of determining liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of a registration statement filed pursuant to Rule 430A and contained in the form of a prospectus filed by the registrant pursuant to Rule 424(b)(1) or Rule 497(h) under the Securities Act of 1933 shall be deemed to be part of the Registration Statement as of the time it was declared effective.

ii. For the purpose of determining liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THE REGISTRANT CERTIFIES THAT IT HAS REASONABLE GROUNDS TO BELIEVE THAT IT MEETS ALL OF THE REQUIREMENTS FOR FILING ON FORM S-1 AND HAS DULY CAUSED THIS AMENDMENT NO. 2 TO REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF HOUSTON, STATE OF TEXAS, ON JUNE 27, 1997.

CAL DIVE INTERNATIONAL, INC.  
By /s/ OWEN KRATZ  
OWEN KRATZ  
CHIEF EXECUTIVE OFFICER

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, THIS AMENDMENT NO. 2 TO THE REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED ON JUNE 27, 1997.

| SIGNATURE                                    | TITLE                                                                                                                |
|----------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| /s/GERALD G. REUHL<br>GERALD G. REUHL        | Chairman of the Board                                                                                                |
| /s/OWEN KRATZ<br>OWEN KRATZ                  | President, Chief Executive Officer,<br>Chief Operating Officer and Director<br>(principal executive officer)         |
| /s/S. JAMES NELSON<br>S. JAMES NELSON        | Executive Vice President, Chief<br>Financial Officer and Director<br>(principal financial and accounting<br>officer) |
| /s/ANDREW C. BECHER<br>ANDREW C. BECHER<br>* | Senior Vice President and General<br>Counsel<br>Director                                                             |
| WILLIAM E. MACAULAY<br>*                     | Director                                                                                                             |
| GORDON F. AHALT<br>*                         | Director                                                                                                             |
| DAVID H. KENNEDY<br>*                        | Director                                                                                                             |
| GERALD M. HAGE                               | Director                                                                                                             |
| THOMAS M. EHRET                              | Director                                                                                                             |
| JEAN-BERNARD FAY                             | Director                                                                                                             |
| KENNETH HULLS                                | Director                                                                                                             |

\*By: /s/ ANDREW C. BECHER  
ANDREW C. BECHER  
(ATTORNEY-IN-FACT FOR PERSONS INDICATED)

CAL DIVE INTERNATIONAL, INC.
COMMON STOCK

INCORPORATED UNDER THE LAWS OF THE STATE OF MINNESOTA

CUSIP 127914 10 9

SEE REVERSE FOR CERTAIN DEFINITIONS

This certifies that

is the owner of

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK, NO PAR VALUE, OF

CAL DIVE INTERNATIONAL, INC.

transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate and the shares evidenced hereby are issued under and shall be subject to all of the provisions of the Articles of Incorporation of the Corporation and any amendments thereto, copies of which are on file with the Corporation and the Transfer Agent, to all of which the holder by acceptance hereof, assents. The Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

Dated:

Countersigned and Registered:

NORWEST BANK MINNESOTA, N.A.
Transfer Agent and Registrar

By:

Authorized Signature

PRESIDENT

SECRETARY

CAL DIVE INTERNATIONAL, INC.

The Corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Such requests should be made to the Secretary of the Corporation or the transfer agent.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common UNIF GIFT MIN ACT . . .Custodian. . . .
TEN ENT -- as tenants by the entireties (Cust) (Minor)
JT TEN -- as joint tenants with right under Uniform Gifts to
of survivorship and not as Minors Act
tenants in common . . . . .
(State)

Additional abbreviations may also be used though not in the above list.

For Value Received, \_\_\_\_\_ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF
ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

\_\_\_\_\_ Shares
of Common Stock represented by the within certificate, and do hereby irrevocably
constitute and appoint

\_\_\_\_\_ Attorney
to transfer the said stock on the books of the within named Corporation with
full power of substitution in the premises.

Dated,

NOTICE: THE SIGNATURE(S)  
TO THIS ASSIGNMENT MUST  
CORRESPOND WITH THE  
NAME(S) AS WRITTEN UPON  
THE FACE OF THE  
CERTIFICATE IN EVERY  
PARTICULAR, WITHOUT  
ALTERATION OR ENLARGEMENT  
OR ANY CHANGE WHATEVER.

X

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X  
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ALL GUARANTEES MUST BE MADE BY A FINANCIAL  
INSTITUTION (SUCH AS A BANK OR BROKER) WHICH IS A  
PARTICIPANT IN THE SECURITIES TRANSFER AGENTS  
MEDALLION PROGRAM ("STAMP"), THE NEW YORK STOCK  
EXCHANGE, INC. MEDALLION SIGNATURE PROGRAM  
("MSP"), OR THE STOCK EXCHANGES MEDALLION PROGRAM  
("SEMP") AND MUST NOT BE DATED. GUARANTEES BY A  
NOTARY PUBLIC ARE NOT ACCEPTABLE.

[LETTERHEAD FOR ROBINS, KAPLAN, MILLER &amp; CIRESI L.L.P.]

KEVIN L. CRUDDEN  
(612)349-8475

June 27, 1997

Cal Dive International, Inc.  
13430 Northwest Freeway  
Suite 350  
Houston, Texas 77040

Re: Registration Statement on Form S-1 (File No. 333-26357)

Ladies and Gentlemen:

We have examined the Registration Statement on Form S-1 filed by you with the Securities and Exchange Commission on May 1, 1997 (File No. 333-26357), Amendment No. 1 to the Registration Statement dated June 13, 1997 and Amendment No. 2 to the Registration Statement to be filed by you with the Securities and Exchange Commission on June 27, 1997 in connection with the registration under the Securities Act of 1933, as amended, of 4,140,000 shares of your Common Stock, no par value (the "Shares"). The Shares include an over-allotment option granted to the underwriters to purchase up to 540,000 additional shares. The Registration Statement on Form S-1 (File No. 333-26357), together with all amendments thereto, is referred to herein as the "Registration Statement." The Shares are to be sold to the underwriters for resale to the public as described in the Registration Statement pursuant to the Underwriting Agreement filed as an exhibit thereto. As your counsel in connection with this transaction, we have examined the proceedings proposed to be taken in connection with said sale of the Shares.

It is our opinion that, upon completion of the proceedings being taken or contemplated by us, as your counsel, to be taken prior to the sale of the Shares, and upon completion of the proceedings being taken in order to permit such transactions to be carried out in accordance with the securities laws of the various states, where required, the Shares when sold in the manner referred to in the Registration Statement will be legally and validly issued, fully paid and non-assessable.

We consent to the use of this opinion as an exhibit to the Registration Statement, and further consent to the use of our name wherever appearing in the Registration Statement, including the prospectus constituting a part thereof, and any amendment thereto.

Sincerely,

ROBINS, KAPLAN, MILLER &amp; CIRESI L.L.P.

Kevin L. Crudden

KLC/

## CONSENT OF INDEPENDENT ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated March 7, 1997 (except with respect to the matters discussed in Note 12, as to which the date is April 30, 1997) on our audits of the consolidated balance sheets and statements of operations, shareholders' equity and cash flows as of December 31, 1996 and 1995 and for each of the three years in the period ended December 31, 1996 and to all references to our firm included in or made a part of this registration statement.

/s/ ARTHUR ANDERSEN LLP  
Houston, Texas  
June 27, 1997