

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROMTO.....

COMMISSION FILE NO. 0-20310

SUPERIOR ENERGY SERVICES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

75-2379388
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

1105 PETERS ROAD
HARVEY, LOUISIANA
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

70058
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (504) 362-4321

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

The number of shares of the Registrant's common stock outstanding on July 31, 1999 was 59,089,891.

PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
June 30, 1999 and December 31, 1998
(in thousands, except share data)

	6/30/99 (UNAUDITED)	12/31/98 (AUDITED)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,082	\$ 737
Accounts receivable - net	17,075	22,486
Inventories	3,088	2,972
Income tax receivable	-	2,568
Other	2,298	1,892
Total current assets	24,543	30,655
Property, plant and equipment - net	77,547	76,187
Goodwill - net	23,859	24,302
Total assets	\$ 125,949	\$ 131,144
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		

Accounts payable	\$ 3,310	\$ 5,557
Accrued expenses	3,767	6,316
Income taxes payable	1,458	-
	-----	-----
Total current liabilities	8,535	11,873
	-----	-----
Deferred income taxes	8,612	8,612
Long-term debt	23,612	27,955
Stockholders' equity:		
Preferred stock of \$.01 par value. Authorized, 5,000,000 shares; none issued	-	-
Common stock of \$.001 par value. Authorized, 40,000,000 shares; issued and outstanding 28,849,523	29	29
Additional paid-in capital	78,935	78,794
Retained earnings	8,471	6,126
Treasury stock, at cost, 474,500 shares	(2,245)	(2,245)
	-----	-----
Total stockholders' equity	85,190	82,704
	-----	-----
Total liabilities and stockholders' equity	\$ 125,949	\$ 131,144
	=====	=====

See accompanying notes to consolidated financial statements

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
Three and Six Months Ended June 30, 1999 and 1998
(in thousands, except per share data)
(unaudited)

	Three Months		Six Months	
	1999	1998	1999	1998
	-----	-----	-----	-----
Revenues	\$ 18,644	\$ 24,311	\$ 36,686	\$ 47,013
	-----	-----	-----	-----
Costs and expenses:				
Cost of services	7,404	11,494	15,005	21,056
Depreciation and amortization	2,144	1,856	4,286	3,517
General and administrative	6,508	5,084	12,657	10,281
	-----	-----	-----	-----
Total costs and expenses	16,056	18,434	31,948	34,854
	-----	-----	-----	-----
Income from operations	2,588	5,877	4,738	12,159
Other income (expense):				
Interest expense	(456)	(369)	(956)	(599)
Gain on sale of subsidiary	-	-	-	1,176
	-----	-----	-----	-----
Income before income taxes	2,132	5,508	3,782	12,736
Provision for income taxes	810	2,093	1,437	4,840
	-----	-----	-----	-----
Net income	\$ 1,322	\$ 3,415	\$ 2,345	\$ 7,896
	=====	=====	=====	=====
Earnings per share:				
Basic	\$ 0.05	\$ 0.12	\$ 0.08	\$ 0.27
	=====	=====	=====	=====
Diluted	\$ 0.05	\$ 0.12	\$ 0.08	\$ 0.27
	=====	=====	=====	=====
Weighted average common shares used in computing earnings per share:				
Basic	28,821	29,248	28,807	29,215
Incremental common shares from stock options	233	319	115	314

Diluted

29,054
=====

29,567
=====

28,922
=====

29,529
=====

SUPERIOR ENERGY SERVICES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Six Months Ended June 30, 1999 and 1998
(in thousands)
(unaudited)

	1999	1998
	-----	-----
Cash flows from operating activities:		
Net income	\$ 2,345	\$ 7,896
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,286	3,517
Gain on sale of subsidiary	-	(1,176)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	5,411	510
Inventories	(116)	(720)
Other - net	(58)	(69)
Accounts payable	(2,247)	(533)
Accrued expenses	(2,549)	(30)
Income taxes payable	4,026	56
Net cash provided by operating activities	----- 11,098	----- 9,451
Cash flows from investing activities:		
Payments for purchases of property and equipment	(5,551)	(17,132)
Acquisitions of businesses, net of cash acquired	-	(2,610)
Additional payment for business acquired	-	(750)
Proceeds from sale of subsidiary	-	4,247
Net cash used in investing activities	----- (5,551)	----- (16,245)
Cash flows from financing activities:		
Notes payable	(4,343)	7,180
Proceeds from exercise of stock options	141	178
Purchase of common stock for treasury	-	(612)
Net cash provided by (used in) financing activities	----- (4,202)	----- 6,746
Net increase (decrease) in cash	1,345	(48)
Cash and cash equivalents at beginning of period	737	1,902
Cash and cash equivalents at end of period	----- \$ 2,082 =====	----- \$ 1,854 =====

See accompanying notes to consolidated financial statements

SUPERIOR ENERGY SERVICES, INC.
AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements
Six Months Ended June 30, 1999 and 1998

(1) BASIS OF PRESENTATION

Certain information and footnote disclosures normally in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission; however, management believes the disclosures which are made are adequate to make the information presented not misleading. These financial statements and footnotes should be read in conjunction with the financial statements and notes thereto included in the Superior Energy Services, Inc. (the Company) Annual Report on Form 10-KSB for the year ended December 31, 1998 and the accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operation.

The financial information for the six months ended June 30, 1999 and 1998, has not been audited. However, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the period presented have been included therein. The results of operations for the first six months of the year are not necessarily indicative of the results of operations, which might be expected for the entire year. Certain previously reported amounts have been reclassified to conform to the 1999 presentation.

(2) BUSINESS COMBINATIONS

In 1998, the Company acquired all of the outstanding stock of three companies for an aggregate \$3,857,000 cash. Additional cash consideration, if any, will be based upon a multiple of four times the respective acquired company's average EBITDA (earnings before interest, income taxes, depreciation and amortization expense) over a three year period from the date of acquisition, less certain adjustments. In no event, will the maximum aggregate additional consideration exceed \$50,143,000. If the overall current industry activity levels continue, the additional consideration actually paid will be materially less than the maximum consideration. The additional consideration is not reflected in the respective company's purchase price. The additional consideration, if paid, will be capitalized as additional purchase price. Each of the acquisitions was accounted for as a purchase and the results of operations of the acquired companies have been included from their respective acquisition dates. In the first quarter of 1998, the Company sold Baytron, Inc. for a gain of approximately \$1.2 million.

The following unaudited pro forma information for the three and six months ended June 30, 1998, presents a summary of consolidated results of operations as if the acquisitions and the sale of the subsidiary made in 1998 had occurred on January 1, 1998 with pro forma adjustments to give effect to amortization of goodwill, depreciation and certain other adjustments, together with related income tax effects (in thousands, except per share amounts):

	Three Months -----	Six Months -----
Revenues	\$27,496 =====	\$53,908 =====
Net income	\$ 3,177 =====	\$ 7,774 =====
Basic earnings per share	\$ 0.11 =====	\$ 0.27 =====
Diluted earnings per share	\$ 0.11 =====	\$ 0.26 =====

The above pro forma information is not necessarily indicative of the results of operations as they would have been had the acquisitions been effected on January 1, 1998.

(3) SEGMENT INFORMATION

In 1998, the Company adopted Statement of Financial Accounting Standard (FAS) No. 131, Disclosures about Segments of an Enterprise and Related Information. The Company's reportable segments are grouped by products and services as follows: rental tools, well services and other. Each segment offers products and services within the oilfield services industry. The rental tools segment sells and rents specialized equipment for use with onshore and offshore oil and gas well drilling, completion, production and workover activities. The well services segment provides plug and abandonment services, electric and mechanical wireline services and tank cleaning. The other segment manufactures and sells computerized electronic and pressure control equipment and manufactures, sells and rents oil spill containment equipment. All the segments operate primarily in the gulf coast region.

Summarized financial information concerning the Company's segments for the three and six months ended June 30, 1999 and 1998 is shown in the following tables (in thousands):

THREE MONTHS ENDED JUNE 30, 1999

	Rental Tools	Well Services	Other	Total	Unallocated Amount	Consolidated Total

Revenues	\$ 13,020	\$ 5,294	\$ 330	\$ 18,644	\$ -	\$ 18,644
Cost of services	4,076	3,146	182	7,404	-	7,404
Depreciation and amortization	1,819	279	46	2,144	-	2,144
General and administrative	4,381	1,778	349	6,508	-	6,508
Operating income	2,744	91	(247)	2,588	-	2,588
Interest	-	-	-	-	456	456

Income before income taxes	\$ 2,744	\$ 91	\$ (247)	\$ 2,588	\$ (456)	\$ 2,132
=====						

THREE MONTHS ENDED JUNE 30, 1998

	Rental Tools	Well Services	Other	Total	Unallocated Amount	Consolidated Total

Revenues	\$ 14,866	\$ 7,693	\$ 1,752	\$ 24,311	\$ -	\$ 24,311
Cost of services	5,314	5,394	786	11,494	-	11,494

Depreciation and amortization	1,551	208	97	1,856	-	1,856
General and administrative	3,407	1,345	332	5,084	-	5,084
Operating income	4,594	746	537	5,877	-	5,877
Interest	-	-	-	-	369	369
Income before income taxes	\$ 4,594	\$ 746	\$ 537	\$ 5,877	\$ (369)	\$ 5,508

SIX MONTHS ENDED JUNE 30, 1999

	Rental Tools	Well Services	Other	Total	Unallocated Amount	Consolidated Total
Revenues	\$ 26,097	\$ 9,936	\$ 653	\$ 36,686	\$ -	\$ 36,686
Cost of services	8,603	5,990	412	15,005	-	15,005
Depreciation and amortization	3,622	573	91	4,286	-	4,286
General and administrative	8,707	3,271	679	12,657	-	12,657
Operating income	5,165	102	(529)	4,738	-	4,738
Interest	-	-	-	-	956	956
Income before income taxes	\$ 5,165	\$ 102	\$ (529)	\$ 4,738	\$ (956)	\$ 3,782

SIX MONTHS ENDED JUNE 30, 1998

	Rental Tools	Well Services	Other	Total	Unallocated Amount	Consolidated Total
Revenues	\$ 28,557	\$ 15,295	\$ 3,161	\$ 47,013	\$ -	\$ 47,013
Cost of services	10,048	9,787	1,221	21,056	-	21,056
Depreciation and amortization	2,845	425	247	3,517	-	3,517
General and administrative	6,891	2,381	1,009	10,281	-	10,281
Operating income	8,773	2,702	684	12,159	-	12,159
Interest	-	-	-	-	599	599
Gain on sale of subsidiary	-	-	1,176	1,176	-	1,176
Income before income taxes	\$ 8,773	\$ 2,702	\$ 1,860	\$ 13,335	\$ (599)	\$ 12,736

(4) COMMITMENTS AND CONTINGENCIES

From time to time, the Company is involved in litigation arising out of operations in the normal course of business. In management's opinion, the Company is not involved in any litigation, the outcome of which would have a material effect on the financial position, results of operations or liquidity of the Company.

(5) ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (FAS) No. 133, Accounting for Derivative Instruments and Hedging Activities. FAS No. 133, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 and establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. FAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are to be recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. Earlier application of the provisions of the Statement is encouraged and is permitted as of the beginning of any fiscal quarter that begins after the issuance of the Statement. Due to the fact that the Company does not currently use derivative instruments, adoption of the Statement will not have a material effect on the Company's results of operations, financial position, or liquidity.

(6) SUBSEQUENT EVENTS

On July 15, 1999, the Company acquired all of the outstanding capital stock of Cardinal Holding Corp. ("Cardinal") from the stockholders of Cardinal in exchange for an aggregate of 30,239,568 shares of the Company's common stock. The acquisition was effected through the merger of a wholly-owned subsidiary of the Company, formed for this purpose, with and into Cardinal (the "Merger"), with the effect that Cardinal has become a wholly-owned subsidiary of the Company. For accounting purposes, the Merger will be treated in future reporting periods as if Cardinal was the acquiror (a reverse acquisition) of the Company using the purchase method of accounting.

On July 15, 1999, the Company entered into a \$152 million term loan and revolving credit facility with General Electric Capital Corporation (GECC) as the administrative agent and lender. The credit facility was implemented concurrently with closing of the Merger and term loans were incurred to refinance Cardinal's and the Company's then outstanding indebtedness, provide a \$20 million working capital facility and \$22 million of borrowings that may be used to fund the additional consideration that may be payable as a result of the Company's prior acquisitions. The term loans require quarterly principal installments commencing December 31 in the amount of \$500,000 and then increasing by up to an aggregate \$1 million a year until 2006 when \$84 million will be due and payable. The term loan and revolving credit facility bears interest at a eurocurrency rate plus margins that depend on the Company's leverage ratio. As of July 31, 1999, the interest rate on the revolving credit facility was 9.25% per annum and the weighted average interest rate of the outstanding term loans was 9.91% per annum. As of August 9, 1999, the amount outstanding under the credit facility was \$113.2 million. Indebtedness under the credit facility is secured by substantially all of the assets of the Company and its subsidiaries and a pledge of all the common stock of the Company's subsidiaries. Pursuant to the credit facility, the Company has also agreed to maintain certain debt coverage and leverage ratios. The credit facility also imposes certain limitations on the ability of the Company and its subsidiaries to make capital expenditures, make dividends or other distributions, make acquisitions, make changes to the capital structure, create liens or incur indebtedness.

Effective as of July 1, 1999, the Company transferred to the former owners all of the capital stock of two companies acquired as part of an acquisition in June 1998. The purchase price was paid by delivery of a promissory note secured by all of the stock and assets of the companies sold and limited shareholder guarantees. As part of the transaction, the purchasers were granted the right to resell the capital stock of the two companies to the Company in 2002 subject to certain terms and conditions. There was no gain or loss associated with this transaction.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

OVERVIEW

The demand for the Company's rental tools and well services is primarily a function of the oil and gas exploration and workover activity in the Gulf of Mexico and along the gulf coast. The level of oilfield activity is affected in turn by the willingness of oil and gas companies to make capital expenditures for the exploration, development and production of oil and natural gas, and the levels of such capital expenditures are influenced by oil and gas prices, the cost of exploring for, producing and delivering oil and gas, the sale and expiration dates of leases in the United States, the discovery rate of new oil and gas reserves, local and international political and economic conditions and the ability of oil and gas companies to generate capital. Demand for the Company's plug and abandonment services is primarily a function of the number of offshore producing wells that have ceased to be commercially productive, increased environmental awareness and the desire of oil and gas companies to minimize abandonment liabilities.

The oilfield services industry experienced a significant decline in activity in the last half of 1998 which has continued into the first half of 1999. The Company's rental tool business has been impacted, but not as much as many other areas of the oilfield service industry because it is primarily concentrated on workover activity and deep water drilling projects which have not been affected as much as other areas of the industry. The Company's well services segment has been adversely affected as some major and independent oil and gas companies have elected to defer making these expenditures. However, as a result of these deferrals and increased depletion rates, the backlog of wells requiring plug and abandonment continues to increase. Should the decline in overall industry activity levels continue, it could have a material adverse effect on the Company's financial condition and results of operations.

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE QUARTERS ENDED JUNE 30, 1999 AND 1998

The Company's revenues were \$18.6 million for the quarter ended June 30, 1999 as compared to \$24.3 million for the same period in 1998. In the second quarter of 1999, the Company continued to be affected by the downturn in the industry activity, which began in the last half of 1998. The decline in revenue is apparent in all of the segments. Although the Company's revenues declined in the second quarter of 1999 compared to the same period in 1998, the Company's gross margin increased to 60.3% for the three months ended June 30, 1999 from 52.7% for the same period in 1998. The increased gross margin is a result of the rental tool segment's revenue comprising 70% of the Company's total revenue for the second quarter of 1999 compared to 61% in the same period of 1998. The rental tool segment continues to contribute the strongest gross margin of all of the segments.

Depreciation and amortization increased 15.5%, to \$2.1 million for the three months ended June 30, 1999 from \$1.9 million for the three months ended June 30, 1998. Most of the increase resulted from the larger asset base that has resulted from the Company's 1998 acquisitions and capital expenditures. General and administrative expenses increased 28%, to \$6.5 million for the second quarter of 1999 as compared to \$5.1 million for the same period of 1998. The increase is the result of the 1998 acquisitions completed during the second and third quarters in 1998.

Net income for the quarter ended June 30, 1999 decreased 61.3% to \$1.3 million as compared to \$3.4 million for the comparable period last year. The Company's results for the second quarter of 1999 reflected the impact of the economic slowdown in the oil and gas industry and customers' decisions to limit or defer investments in exploration, drilling, production and plug and abandonment services.

COMPARISON OF THE RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 1999 AND 1998

The Company's revenues were \$36.7 million for the six months ended June 30, 1999 as compared to \$47 million for the same period in 1998. In the first half of 1999, the Company continued to be affected by the downturn in the industry activity, which began in the last half of 1998. The rental tools segment's revenue has not been as adversely affected by industry conditions as a result of its focus on workover, remediation and deep water drilling activity. Although the Company's revenues declined in the first half of 1999 compared to the same period in 1998, the Company's gross margin increased to 59.1% for the six months ended June 30, 1999 from 55.2% for the same period in 1998.

Depreciation and amortization increased 21.9%, to \$4.3 million for the six months ended June 30, 1999 from \$3.5 million for the six months ended June 30, 1998. Most of the increase resulted from the larger asset base that has resulted from the Company's 1998 acquisitions and capital expenditures. General and administrative expenses increased 23.1%, to \$12.7 million for the first half of 1999 as compared to \$10.3 million for the same period of 1998. The increase is the result of the 1998 acquisitions completed during the second and third quarters in 1998.

Net income for the six months ended June 30, 1999 decreased 70.3% to \$2.3 million as compared to \$7.9 million for the comparable period last year. While the \$1.2 million gain on the sale of subsidiary increased the net income in the first half of 1998, the Company's results for the first half of 1999 reflected the impact of the economic slowdown in the oil and gas industry and customers' decisions to limit or defer investments in exploration, drilling, production and plug and abandonment services.

CAPITAL RESOURCES AND LIQUIDITY

For the six months ended June 30, 1999, the Company had net income of \$2.3 million and net cash provided by operating activities of \$11.1 million, compared to \$7.9 million and \$9.5 million, respectively, for the same period in 1998. The Company's EBITDA decreased to \$9 million, as compared to \$15.7 million, exclusive of the gain on sale of a subsidiary, for the same period in 1998. The decrease in net income and EBITDA was primarily the result of the significant decline in overall industry activity in the last half of 1998 which has continued into the first half of 1999.

On July 15, 1999, the Company acquired all of the outstanding capital stock of Cardinal Holding Corp. ("Cardinal") from the stockholders of Cardinal in exchange for an aggregate of 30,239,568 shares of the Company's common stock. The acquisition was effected through the merger of a wholly-owned subsidiary of the Company, formed for this purpose, with and into Cardinal (the "Merger"), with the effect that Cardinal has become a wholly-owned subsidiary of the Company. For accounting purposes, the Merger will be treated in the future reporting periods as if Cardinal was the acquiror (a reverse acquisition) of the Company using the purchase method of accounting.

On July 15, 1999, the Company entered into a \$152 million term loan and revolving credit facility with General Electric Capital Corporation (GECC) as the administrative agent and lender. The credit facility was implemented concurrently with closing of the Merger and term loans were incurred to refinance Cardinal's and the Company's then outstanding indebtedness, provide a \$20 million working capital facility and \$22 million of borrowings that may be used to fund the additional consideration that may be payable as a result of the Company's prior acquisitions. The term loans require quarterly principal installments commencing December 31 in the amount of \$500,000 and then increasing by up to an aggregate \$1 million a year until 2006 when \$84 million will be due and payable. The term loan and revolving credit facility bears interest at a eurocurrency rate plus margins that depend on the Company's leverage ratio. As of July 31, 1999, the interest rate on the revolving credit facility was 9.25% per annum and the weighted average interest rate of the outstanding term loans was 9.91% per annum. As of August 9, 1999, the amount outstanding under the credit facility was \$113.2 million. Indebtedness under the credit facility is secured by substantially all of the assets of the Company and its subsidiaries and a pledge of all the common stock of the Company's subsidiaries. Pursuant to the credit facility, the Company has also agreed to maintain certain debt coverage and leverage ratios. The credit facility also imposes certain limitations on the ability of the Company and its subsidiaries to make capital expenditures, make dividends or other distributions, make acquisitions, make changes to the capital structure, create liens or incur indebtedness.

In the first six months of 1999, the Company made capital expenditures of \$5.6 million primarily for additional rental equipment. Management currently believes that the Company will make additional capital expenditures, excluding acquisitions, of approximately \$3 to \$4 million in 1999 primarily to further expand its rental tool inventory. The Company believes that cash generated from operations and availability under the Company's credit facility will provide sufficient funds for the Company's identified capital projects and

working capital requirements. However, the Company's strategy involves the acquisition of companies that have products and services complementary to the Company's existing base of operations. Depending on the size of any future acquisitions, the Company may require additional equity and debt financing possibly in excess of the Company's credit facility.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (FAS) No. 133, Accounting for Derivative Instruments and Hedging Activities. FAS 133, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000 and establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. FAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are to be recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. Earlier application of the provisions of the Statement is encouraged and is permitted as of the beginning of any fiscal quarter that begins after the issuance of the Statement. Due to the fact that the Company does not currently use derivative instruments, adoption of the Statement will not have a material effect on the Company's results of operations, financial position, or liquidity.

YEAR 2000

The Company is assessing both the cost of addressing and the cost or the consequence of incomplete or untimely resolution of the Year 2000 issue. This process includes (i) the development of Year 2000 awareness, (ii) a review to identify systems that could be affected by the Year 2000 issue, (iii) an assessment of potential risk factors (including non-compliance by the Company's suppliers, subcontractors and customers), (iv) the allocation of required resources, (v) a determination of the extent of remediation work required, (vi) the development of an implementation plan and time table, and (vii) the development of contingency plans.

The Company makes use of computers in its processing of accounting, financial, administrative, and management information. Additionally, the Company uses computers as a tool for its employees to communicate among themselves and with other persons outside the organization. The Company has identified its key vendors, alternate vendors and key customers, and has contacted the identified group through questionnaires sent out in early July to assess their efforts and progress with Year 2000 issues. The Company is currently evaluating its non-information technology equipment and any remedial action and/or contingency plan, and it anticipates completion of its evaluations by August 31, 1999.

The Company is in the process of analyzing and evaluating the operational problems and costs that would be reasonably likely to result from the failure by the Company or certain third parties to complete efforts necessary to achieve Year 2000 compliance on a timely basis. The Company is in the process of evaluating all the material information technology ("IT") and non-IT systems that it uses directly in its operations. The Company presently believes that the year 2000 issue will not pose significant operational problems for the Company's computer systems. However, if all significant Year 2000 issues are not properly identified, or assessment, remediation and testing of its systems are not effected timely, the Year 2000 issue could potentially have an adverse impact on the Company's operations and financial condition. The Company believes that the most reasonably likely worst-case scenario would be that the Company would revert to the use of manual accounting records for billings, payments and collections. In addition, the inability of principal suppliers and major customers to be Year 2000 compliant could result in delays in deliveries from those suppliers and collections of accounts receivable.

The Company believes that it will be able to implement successfully the changes necessary to address the Year 2000 issues with reliance on its third party vendors and does not expect the cost of such changes to have a material impact on the Company's financial position, results of operations or cash flows in future periods.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES

(c) In connection with the Merger of Cardinal with and into a wholly-owned subsidiary of the Company on July 15, 1999, the Company issued an aggregate of 30,239,568 shares of its common stock, \$0.001 par value per share, to the former stockholders of Cardinal in exchange for their shares of Cardinal capital stock. Pursuant to the terms of the Merger, the offer and role of these shares were not registered under the Securities Act of 1933 in reliance upon Section 4(2) thereunder.

ITEM 4. SUBMISSION OF MATTERS TO THE VOTE OF SECURITY HOLDERS

(a) The annual meeting of the stockholders of the Company was held on July 15, 1999 (the "Annual Meeting").

(b) At the Annual Meeting, the stockholders of the Company elected Terence E. Hall, William E. Macaulay, Ben A. Guill, Robert E. Rose, Richard A. Bachmann, and Justin L. Sullivan to serve as directors until the next annual meeting of stockholders.

(c) At the Annual Meeting, the stockholders of the Company:

- (i) Elected six directors with the following number of votes cast for and withheld from such nominees:

Director	For	Withheld
Terence E. Hall	17,740,407	722,329
William E. Macaulay	17,738,607	724,129
Ben A. Guill	17,738,107	724,629
Robert E. Rose	17,740,407	722,329
Richard A. Bachmann	17,740,407	722,329
Justin L. Sullivan	17,740,407	722,329

There were no abstentions or broker non-votes with respect to the election of directors.

- (ii) Approved the issuance of a number of shares of the Company's common stock equal to 51% of the outstanding shares after giving effect to such issuance, calculated on a fully diluted basis, in accordance with the terms of an Agreement and Plan of Merger, pursuant to which a wholly-owned subsidiary of the Company would merge with and into Cardinal and Cardinal would become a wholly-owned subsidiary of the Company. The number of votes cast for and against this proposal, as well as the number of abstentions and broker non-votes, is as follows:

FOR	AGAINST	ABSENTIONS	BROKER NON-VOTES
17,872,784	370,345	48,359	171,248

- (iii) Approved an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of the Company's common stock from 40,000,000 to 125,000,000. The number of votes cast for and against this proposal, as well as the number of abstentions and broker non-votes, is as follows:

FOR	AGAINST	ABSTENTIONS	BROKER NON-VOTES
16,882,489	1,547,475	32,772	0

- (iv) Approved an amendment to the Company's Certificate of Incorporation to regulate the ownership of the capital stock of the Company by persons who are not citizens of the United States. The number of votes cast for and against this proposal, as well as the number of abstentions and broker non-votes, is as follows:

FOR	AGAINST	ABSTENTIONS	BROKER NON-VOTES
17,902,550	344,691	44,247	171,248

- (v) Approved the Superior Energy Services, Inc. 1999 Stock Incentive Plan. The number of votes cast for and against this proposal, as well as the number of abstentions and broker non-votes, is as follows:

FOR	AGAINST	ABSTENTIONS	BROKER NON-VOTES
16,829,588	1,367,815	94,085	171,248

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) The following exhibits are filed with this Form 10-Q:

- 2.1 Agreement and Plan of Merger (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed April 26, 1999).
- 2.2 Amendment No. 1 to Agreement and Plan of Merger (incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed July 7, 1999).
- 3.1 Certificate of Amendment to the Company's Certificate of Incorporation.
- 3.2 Amended and Restated Bylaws.
- 4.1 Registration Rights Agreement dated as of July 15, 1999 by and among the Company, First Reserve Fund VII, Limited Partnership and First Reserve Fund VIII, Limited Partnership.
- 4.2 Registration Rights Agreement dated as of July 15, 1999 by and among the Company and certain stockholders named therein.
- 4.3 Stockholders' Agreement dated as of July 15, 1999 by and among the Company, First Reserve Fund VII, Limited Partnership and First Reserve Fund VIII, Limited Partnership.
- 10.1 Credit Agreement dated as of July 15, 1999 by and among the Company, General Electric Capital Corporation and others(1).
- 10.2 Superior Energy Services, Inc. 1999 Stock Incentive Plan.

(1) The Company agrees to furnish, supplementally, upon request of the Commission, a copy of any omitted schedule or exhibit to the agreement referred to in 10.1 above.

(b) The Company filed a Current Report on Form 8-K reporting under Item 5 on April 26, 1999.

SIGNATURES

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

SUPERIOR ENERGY SERVICES, INC.

Date: AUGUST 16, 1999

BY: /S/ TERENCE E. HALL
Terence E. Hall
Chairman of the Board,
Chief Executive Officer and
President
(Principal Executive Officer)

Date: AUGUST 16, 1999

BY: /S/ ROBERT S. TAYLOR
Robert S. Taylor
Chief Financial Officer
(Principal Financial and
Accounting Officer)

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
SUPERIOR ENERGY SERVICES, INC.

Superior Energy Services, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY THAT:

FIRST: The Board of Directors of the Corporation, by unanimous written consent dated June 30, 1999, did duly adopt resolutions setting forth proposed amendments to the Certificate of Incorporation of the Corporation, declaring said amendments to be advisable and directing that the proposed amendments be submitted to a vote of the Corporation's stockholders.

SECOND: On July 15, 1999, at a meeting called and held in accordance with Section 222 of the General Corporation Law of the State of Delaware, the stockholders of the Corporation by a majority of the outstanding shares of stock entitled to vote thereon voted for proposals amending the first sentence of paragraph FOURTH of the Certificate of Incorporation and adding a new paragraph TWELFTH to the Certificate of Incorporation so that as amended the first sentence of paragraph FOURTH and the new paragraph TWELFTH shall be and read as follows:

FOURTH: The aggregate number of shares which the Corporation shall have authority to issue is One Hundred Thirty Million (130,000,000) shares, of which One Hundred Twenty-Five Million (125,000,000) shares shall be designated Common Stock, par value \$.001 per share, and Five Million (5,000,000) shares shall be designated Preferred Stock, par value \$.01 per share.

TWELFTH: A. PURPOSE. The provisions of this Article TWELFTH are intended to assure that the Corporation remains in continuous compliance with the citizenship requirements of the Merchant Marine Act, 1920, as amended, the Merchant Marine Act, 1936, as amended, the Shipping Act, 1916, as amended, and the regulations promulgated thereunder, as such laws and regulations are amended from time to time (collectively, the "Maritime Laws"). It is the policy of the Corporation that Non-Citizens should not Beneficially Own, individually or in the aggregate, any shares of the Corporation's Capital Stock in excess of the Permitted Amount. If the Board of Directors of the Corporation should conclude in its sole discretion at any time that Non-Citizens have become, or are about to become, the Beneficial Owners, individually or in the aggregate, of shares of Capital Stock in excess of the Permitted Amount, the Board of Directors may by resolution duly adopted declare that any or all of the provisions of subparagraphs C, D and E of this Article TWELFTH shall apply. Certificates representing shares of the Capital Stock of the Corporation shall bear a legend concerning the restrictions on ownership by Non-Citizens contained in this Article TWELFTH.

B. DEFINITIONS. For purposes of this Article TWELFTH, the following terms shall have the meanings specified below:

1. A Person shall be deemed to be the "Beneficial Owner" of, or to "Beneficially Own," shares of Capital Stock to the extent such Person would be deemed to be the beneficial owner thereof pursuant to Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as such rule may be amended from time to time.

2. "Capital Stock" shall mean any class or series of capital stock of the Corporation other than any class or series of capital stock of the Corporation that is permitted by the Maritime Administration of the United States Department of Transportation ("MARAD") to be excluded from the determination of whether the Corporation is in compliance with the citizenship requirements of the Maritime Laws.

3. "Citizen" shall mean:

(a) any individual who is a citizen of the United States, by birth, naturalization or as otherwise authorized by law;

(b) any corporation (i) that is organized under the laws of the United States or of a state, territory, district or possession thereof, (ii) not less than 75% of the capital stock of which is Beneficially Owned by Persons who are Citizens, (iii) whose president or chief executive officer, chairman of the board of directors and all officers authorized to act in the absence or disability of such Persons are Citizens and (iv) of which more than 50% of the number of its directors necessary to

constitute a quorum are Citizens;

(c) any partnership (i) that is organized under the laws of the United States or of a state, territory, district or possession thereof, (ii) all general partners of which are Citizens and (iii) not less than a 75% interest in which is Beneficially Owned by Persons who are Citizens;

(d) any association or limited liability company (i) that is organized under the laws of the United States or of a state, territory, district or possession thereof, (ii) whose president or chief executive officer (or the Person serving in an equivalent position), chairman of the board of directors (or equivalent position) and all Persons authorized to act in the absence or disability of such Persons are Citizens, (iii) not less than a 75% interest in which or 75% of the voting power of which is Beneficially Owned by Citizens and (iv) of which more than 50% of the number of its directors (or the Persons serving in equivalent positions) necessary to constitute a quorum are Citizens;

(e) any joint venture (if not an association, corporation or partnership) (i) that is organized under the laws of the United States or of a state, territory, district or possession thereof and (ii) all co-venturers of which are Citizens; and

(f) any trust (i) that is domiciled in and existing under the laws of the United States or of a state, territory, district or possession thereof, (ii) the trustee of which is a Citizen and (iii) of which not less than a 75% of the beneficial interests in both income and principal are held for the benefit of Citizens.

4. "Non-Citizen" shall mean any Person other than a Citizen.

5. "Permitted Amount" shall mean shares of Capital Stock that, individually or in the aggregate (a) have Voting Power not in excess of 23% of Total Voting Power or (b) constitute not more than 23% of the total number of the issued and outstanding shares of Capital Stock; provided that, if the Maritime Laws are amended to change the amount of Capital Stock that a Non-Citizen may own or have the power to vote, then the Permitted Amount shall be changed to a percentage that is two percentage points less than the percentage that would cause the Corporation to be no longer qualified under the Maritime Laws, after giving effect to such amendment, as a Citizen qualified to (i) engage in coastwise trade, (ii) participate in MARAD's Title XI or comparable financing programs, or (iii) participate in operating differential subsidies or similar programs.

6. "Person" shall mean an individual, partnership, corporation, limited liability company, trust, joint venture or other entity.

7. "Total Voting Power" shall mean the total number of votes that may be cast by all outstanding shares of Capital Stock having Voting Power.

8. "Voting Power" shall mean the power to vote with respect to the election of the Corporation's directors.

C. RESTRICTIONS ON TRANSFER.

1. Any transfer, or attempted or purported transfer, of any shares of the Capital Stock of the Corporation or any interest therein or right thereof, that would result in the Beneficial Ownership by Non-Citizens, individually or in the aggregate, of shares of Capital Stock in excess of the Permitted Amount will, until such excess no longer exists, be void and ineffective as against the Corporation and the Corporation will not recognize, with respect to those shares that caused the Permitted Amount to be exceeded, the purported transferee as a stockholder of the Corporation for any purpose other than the transfer by the purported transferee of such excess to a person who is not a Non-Citizen or to the extent necessary to effect any other remedy available to the Corporation under this Article TWELFTH.

2. The Board of Directors is hereby authorized to effect any and all measures necessary or desirable (consistent with applicable law and the provisions of this Certificate of Incorporation) to fulfill the purpose and implement the provisions of this Article TWELFTH, including without limitation, obtaining, as a condition to recording the transfer of shares on the stock records of the Corporation, affidavits or other proof as to the citizenship of existing or prospective stockholders on whose behalf shares of the Capital Stock of the Corporation or any interest therein or right thereof are or are to be held, or establishing and maintaining a dual stock certificate system

under which different forms of stock certificates representing outstanding shares of the Capital Stock of the Corporation are issued to Citizens or Non-Citizens.

D. SUSPENSION OF VOTING, DIVIDEND AND DISTRIBUTION RIGHTS WITH RESPECT TO EXCESS SHARES. If any shares of Capital Stock in excess of the Permitted Amount are Beneficially Owned by Non-Citizens, individually or in the aggregate, any such excess shares determined in accordance with this subparagraph D (the "Excess Shares"), shall, until such excess no longer exists, not be entitled to (1) receive any dividends or distributions of assets declared payable or paid to the holders of the Capital Stock of the Corporation during such period or (2) vote with respect to any matter submitted to a vote of the stockholders of the Corporation, and such Excess Shares shall not be deemed to be outstanding for purposes of determining the vote required on any matter properly submitted to a vote of the stockholders of the Corporation. At such time as the Permitted Amount is no longer exceeded, full voting rights shall be restored to any shares previously deemed to be Excess Shares, and any dividends or distributions with respect thereto that have been withheld shall be due and paid to the holders of such shares. If the number of shares of Capital Stock Beneficially Owned by Non-Citizens is in excess of the Permitted Amount, the shares deemed to be Excess Shares for purposes of this Article TWELFTH will be those shares Beneficially Owned by Non-Citizens that the Board of Directors determines became so Beneficially Owned most recently, and such determination shall be conclusive.

E. REDEMPTION OF EXCESS SHARES. The Corporation shall have the power, but not the obligation, to redeem Excess Shares subject to the following terms and conditions:

1. The per share redemption price (the "Redemption Price") to be paid for the Excess Shares to be redeemed shall be the sum of (a) the average closing sales price of the Capital Stock and (b) any dividend or distribution declared with respect to such shares prior to the date such shares are called for redemption hereunder but which has been withheld by the Corporation pursuant to subparagraph D. As used herein, the term "average closing sales price" shall mean the average of the closing sales prices of the Capital Stock as quoted on the Nasdaq National Market during the 10 trading days immediately prior to the date the notice of redemption is given, or if not so quoted, on the New York Stock Exchange, or on any other national securities exchange selected by the Corporation on which such Capital Stock is listed, or if not so quoted or listed on any national securities exchange, the mean between the representative bid and ask prices as quoted by Nasdaq or another generally recognized reporting system, on each of such 10 trading days, and if not so quoted, as may be determined in good faith by the Board of Directors.

2. The Redemption Price may be paid in cash or by delivery of a promissory note of the Corporation, at the election of the Corporation. Any such promissory note shall have a maturity of not more than 10 years from the date of issuance and shall bear interest at the rate equal to the then current coupon rate of a 10-year Treasury note as such rate is published in THE WALL STREET JOURNAL or comparable publication.

3. A notice of redemption shall be given by first class mail, postage prepaid, mailed not less than 10 days prior to the redemption date to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock records of the Corporation. Each such notice shall state (a) the redemption date, (b) the number of shares of Capital Stock to be redeemed from such holder, (c) the Redemption Price, and the manner of payment thereof, (d) the place where certificates for such shares are to be surrendered for payment of the Redemption Price, and (e) that dividends on the shares to be redeemed will cease to accrue on such redemption date.

4. From and after the redemption date, dividends on the shares of Capital Stock called for redemption shall cease to accrue and such shares shall no longer be deemed to be outstanding and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the Redemption Price) shall cease. Upon surrender of the certificates for any shares so redeemed in accordance with the requirements of the notice of redemption (properly endorsed or assigned for transfer if the notice shall so state), such shares shall be redeemed by the Corporation at the Redemption Price. In case fewer than all shares represented by any such certificate are redeemed, a new certificate shall be issued representing the shares not redeemed without cost to the holder thereof.

5. Such other terms and conditions as the Board of Directors may reasonably determine.

THIRD: Said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, Superior Energy Services, Inc. has caused this Certificate of Amendment to be executed in its corporate name by its President and attested by its Secretary both thereto duly authorized this 15th day of July, 1999.

SUPERIOR ENERGY SERVICES, INC.

By: /S./ TERENCE E. HALL
Terence E. Hall
President

Attest:

/S/ CAROLYN PLAISANCE

Carolyn Plaisance,
Secretary

AMENDED AND RESTATED
BYLAWS
OF
SUPERIOR ENERGY SERVICES, INC.
(as amended through July 15, 1999)

SECTION 1
OFFICES

1.1 Registered Office. The registered office of Superior Energy Services, Inc. (the "Corporation") shall be in the City of Wilmington, County of New Castle, State of Delaware.

1.2 Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Corporation's Board of Directors may from time to time determine or the business of the Corporation may require.

SECTION 2
MEETINGS OF STOCKHOLDERS

2.1 Annual Meetings. Annual meetings of stockholders shall be held for the election of directors at such date, time and place either within or without the State of Delaware as shall be designated by the Board of Directors and stated in the notice of the meeting.

2.2 Special Meetings. (a) Special meetings of the stockholders for any purpose or purposes may be called by the Chairman of the Board of Directors or upon a vote of the majority of the Board of Directors, at such date, time and place either within or without the State of Delaware as shall be stated in the notice of the meeting.

(b) Except as otherwise provided in the Certificate of Incorporation or required by applicable law, the Corporation's Secretary shall call a special meeting of the stockholders, to be held on such date as the Secretary shall determine, not less than 15 nor more than 60 days after the actual receipt of a request in writing of any Beneficial Owner or Owners of at least 25% of the Voting Stock. Such request shall set forth:

(i) a complete and accurate description of the matter not to exceed 500 words, of the action proposed to be taken at such meeting, the reasons for the action and any material interest of the stockholder in the matter.

(ii) the name, business address and residential address of each Beneficial Owner composing the group making the request, the number of shares of Voting Stock of which each such person is the Beneficial Owner and the dates on which each person acquired his or her Voting Stock;

(iii) a representation that at least one such Beneficial Owner or a representative thereof intends to appear in person at the meeting to propose the action specified in the request; and

(iv) if any proposed action consists of or includes a proposal to amend either the Certificate of Incorporation or the Bylaws, the language of the proposed amendment.

The Corporation's Secretary may require any person or persons submitting a request to call a special meeting of stockholders to furnish such documentary information as may be reasonably required by the Corporation to determine that such person or persons as a group Beneficially Owns at least 25% of the Voting Stock. The Secretary may refuse to call a special meeting unless the request is made in compliance with the foregoing procedure.

2.3 Notice of Stockholder Nominations and Stockholder Business. (a) At any meeting of stockholders, only such business shall be conducted as shall have been properly brought before the meeting. Except as otherwise provided in the Certificate of Incorporation or required by applicable law, nominations for the election of directors at a meeting at which directors are to be elected or other matters to be properly brought before any meeting of stockholders (other than any special meeting of stockholders called pursuant to Section 2.2(b)) must be (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, including matters covered by Rule 14a-8 of the Securities and Exchange Commission, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (iii) otherwise properly brought before the meeting by any person who (A) has been for at least one year the Beneficial Owner of at least 1% of any class or series of outstanding Voting Stock entitled to be voted on the proposed business and (B) complies with the procedures set forth below.

(b) A notice of the intent of a stockholder to make a nomination or to bring any other matter before the meeting shall be made in writing and received by the Corporation's Secretary not more than 270 days and not less than 120 days in advance of the first anniversary of the preceding year's annual meeting of stockholders or, if a special meeting or an annual

meeting of stockholders scheduled to be held either 30 days earlier or later than such anniversary date, such notice shall be received by the Corporation's Secretary within 15 days of the earlier of the date on which notice of such meeting is first mailed to stockholders or public disclosure of the meeting date is made.

(c) Every such notice by a stockholder shall set forth:

(i) the name, age, business address and residential address of the stockholder who intends to make a nomination or bring up any other matter, and any person acting in concert with such stockholder;

(ii) the number of shares of Voting Stock of which the stockholder is the Beneficial Owner and the dates on which such person acquired his or her Voting Stock;

(iii) a representation that the stockholder intends to appear in person at the meeting to make the nomination or bring up the matter specified in the notice;

(iv) with respect to notice of an intent to make a nomination, a description of all agreements, arrangements or understandings among the stockholder, any person acting in concert with the stockholder, each proposed nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder;

(v) with respect to notice of an intent to make a nomination, (A) the name, age, business address and residential address of each person proposed for nomination, (B) the principal occupation or employment of such person, (C) the class and number of shares of capital stock of the Corporation of which such person is the beneficial owner, and (D) any other information relating to such person that would be required to be disclosed in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had such nominee been nominated by the Board of Directors; and

(vi) with respect to notice of an intent to bring up any other matter, a complete and accurate description of the matter not to exceed 500 words, the reasons for conducting such business at the meeting, and any material interest of the stockholder in the matter.

(d) The Corporation's Secretary may require any stockholder submitting a notice of an intent to make a nomination or bring up other business to furnish such documentary information as may be reasonably required by the Corporation to determine that such stockholder has been for at least one year the Beneficial Owner of at least 1% of any class or series of outstanding Voting Stock entitled to be voted on the proposed business.

(e) Notice of an intent to make a nomination shall be accompanied by the written consent of each nominee to serve as a director of the Corporation if so elected and an affidavit of each such nominee certifying that he or she meets the qualifications necessary to serve as a director of the Corporation. The Corporation may require any proposed nominee to furnish such other information as may be reasonably required by the Corporation to determine the eligibility and qualifications of such person to serve as a director.

(f) With respect to any proposal by a stockholder to bring before a meeting any matter other than the nomination of directors, the following shall govern:

(i) If the Corporation's Secretary has received sufficient notice of a proposal that may properly be brought before the meeting, a proposal sufficient notice of which is subsequently received by the Secretary and that is substantially duplicative of the first proposal shall not be properly brought before the meeting. If in the judgment of the Board of Directors a proposal deals with substantially the same subject matter as a prior proposal submitted to stockholders at a meeting held within the preceding five years, it shall not be properly brought before any meeting held within three years after the latest such previous submission if (A) the proposal was submitted at only one meeting during such preceding period and it received affirmative votes representing less than 3% of the total number of votes cast in regard thereto, (B) the proposal was submitted at only two meetings during such preceding period and it received at the time of its second submission affirmative votes representing less than 6% of the total number of votes cast in regard thereto, or (C) the proposal was submitted at three or more meetings during such preceding period and it received at the time of its latest submission affirmative votes representing less than 10% of the total number of votes cast in regard thereto.

(ii) Notwithstanding compliance with all of the procedures set forth above in this Section, no proposal shall be deemed to be properly brought before a meeting of stockholders if, in the judgment of the Board of Directors, it is not a proper subject for action by stockholders under Delaware Law.

(g) At the meeting of stockholders, the chairman shall declare out of order and disregard any nomination or other matter that is not presented in accordance with the foregoing procedures or that is otherwise contrary to the foregoing terms and conditions.

(h) Nothing in this Section shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement or to solicit their own proxies pursuant to the proxy rules of the Securities and Exchange Commission.

2.4 Notice of Meeting. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and time of the meeting, and the purpose or purposes for which the meeting is called. Unless otherwise provided by law, the written notice of any meeting shall be given to each stockholder entitled to vote at such meeting not less than 10 nor more than 60 days before the date of the meeting. If mailed, such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation.

2.5 Stockholder List. The Secretary shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

2.6 Quorum. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, with respect to each matter considered and voted upon at any stockholders' meeting, the holders of a majority of the outstanding shares of each class of Capital Stock, or series thereof, entitled to vote thereon, present in person or represented by proxy, shall constitute a quorum, provided that two or more classes or series shall be considered a single class if the holders thereof are entitled to vote together as a single class with respect to such matter. If, however, a quorum shall not be present or represented at any meeting of the stockholders (or with respect to any matter to be considered and voted upon thereat), the holders of any class of Capital Stock or series thereof entitled to vote thereat (or with respect to any such matter), present in person or represented by proxy, shall have the power to adjourn the meeting (or the vote upon such matter, without prejudice to the right of the stockholders to vote upon any matter as to which a quorum does exist) from time to time, without notice other than announcement at the meeting, until a quorum shall be presented or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted that might have been transacted at the meeting as originally notified. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting (or with respect to such matter).

2.7 Vote Required. When a quorum is present with respect to any matter considered at any meeting of stockholders, the vote of the holders of a majority of the Voting Stock shall decide such matter, unless the matter is one upon which by express provision of law, the Certificate of Incorporation or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such matter.

2.8 Voting Rights of Stockholders. Unless otherwise provided in the Certificate of Incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of Voting Stock held of record by such holder. If the Certificate of Incorporation provides for more or less than one vote for any share of Voting Stock on any matter, every reference in these Bylaws to a majority or other proportion of Voting Stock shall refer to such majority or other proportion of the votes of such stock.

2.9 Proxies. (a) Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

(b) Execution of a proxy may be accomplished by a stockholder or his or her authorized officer, director, employee or agent signing such writing or causing his or her signature to be affixed to such writing by any reasonable means including, without limitation, by facsimile signature. A stockholder may authorize another person or persons to act for him as proxy by transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any

such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. If it is determined that such telegrams, cablegrams or other electronic transmissions are valid, the inspectors shall specify the information upon which they relied.

(c) Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

(d) A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A stockholder may revoke any proxy that is not irrevocable by attending the meeting and voting in person or by filing an instrument in writing revoking the proxy or another duly executed proxy bearing a later date with the Secretary.

2.10 Unanimous Written Consent. Unless otherwise provided in the Certificate of Incorporation, any action required to be taken at any annual or special meeting of stockholders, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of Capital Stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

2.11 Treasury Stock. Shares of Voting Stock held in the treasury of the Corporation shall not be deemed to be outstanding shares for the purpose of voting or determining the presence of a quorum or the total number of shares entitled to vote on any matter.

2.12 Presiding Officer. All meetings of stockholders shall be presided over by the Chairman of the Board of Directors, or in his absence, by a chairman designated by the Board of Directors. The Secretary shall act as secretary of the meeting, or in the absence of the Secretary by an Assistant Secretary, or in their absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

2.13 Inspectors. Prior to a meeting of stockholders, the Board shall appoint one or more inspectors to act at the meeting and make a written report thereof. Each inspector shall take and sign an oath faithfully to execute the duties of with strict impartiality and according to the best of his or her ability. The inspectors shall (i) ascertain the number of shares outstanding and the voting power of each, (ii) determine the shares represented at a meeting and the validity of the proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, (v) certify their determination of the number of shares represented at the meeting, and their count of all votes and ballots, and (vi) perform such other functions as the presiding officer of the meeting shall determine. The inspectors may appoint or retain other persons or entities to assist them in the performance of their duties.

2.14 Adjournments. Any annual or special meeting of stockholders may be adjourned by the presiding officer from time to time to reconvene at the same or some other place, and notice need not be given of any such adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 3 DIRECTORS

3.1 Powers. The business and affairs of the Corporation shall be managed under the direction of a Board of Directors (the "Board"), except as otherwise provided by Delaware Law or by the Certificate of Incorporation.

3.2 Number. Subject to the restriction that the number of directors shall not be less than the number required by Delaware Law, and subject further to the creation or lapse of directorships upon the occurrence of events specified in the Certificate of Incorporation, the number of directors shall be fixed, from time to time, by a resolution adopted by a majority of the Continuing Directors. Until otherwise fixed by the directors, the number of directors constituting the entire Board shall be seven. No more than a minority of the number of directors necessary to constitute a quorum shall be non-citizens of the United States. The Secretary shall have the power to certify at any time as to the number of directors authorized and as to the class to which each director has been elected or assigned.

3.3 Removal. Except as may otherwise be provided by Delaware Law

or by the Certificate of Incorporation, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of the Voting Stock.

3.4 Resignation. Any director may resign at any time upon written notice to the Chairman of the Board. Such resignation shall take effect at the time specified therein, and unless otherwise specified therein no acceptance of such resignation shall be necessary to make it effective.

3.5 Nominations. Only persons who are nominated in accordance with the procedures set forth in Section 2.3 shall be eligible for election as directors. Notwithstanding any provision of these Bylaws to the contrary, the provisions of Section 2.3 shall not apply to the election of any directors which the holders of any class or series of Preferred Stock, voting separately as a class, may be entitled to elect.

3.6 Election of Directors. Unless otherwise provided in the Certificate of Incorporation, at each meeting of the stockholders for the election of directors at which a quorum is present, directors shall be elected by a plurality of the votes of the shares of Voting Stock present in person or represented by proxy at the meeting.

3.7 Compensation. Unless otherwise restricted by the Certificate of Incorporation or of these Bylaws, the Board shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board. The directors may be paid a stated salary as director or a fixed sum for attendance at each meeting of the Board or committee. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

SECTION 4 MEETINGS OF THE BOARD

4.1 Meetings. The Board may hold meetings, both regular and special, either within or without the State of Delaware.

4.2 Regular Meetings. Regular meetings of the Board may be held without notice at such time and at such place as shall from time to time be determined by the Board.

4.3 Special Meetings. Special meetings of the Board may be called by the Chairman of the Board on two days' notice to each director, either personally or by mail, telephone or telegram. Special meetings shall be called by the Chairman of the Board in like manner and on like notice on the written request of at least 25% of the directors.

4.4 Quorum. At all meetings of the Board a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board, except as may be otherwise specifically provided by law or by the Certificate of Incorporation. If a quorum shall not be present at any meeting of the Board, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

4.5 Action at Meeting. If a quorum is present when any meeting of the Board is convened, the directors may continue to do business, taking action by vote of a majority of a quorum as fixed in Section 4.4, until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum or the refusal of any director present to vote.

4.6 Action by Consent. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

4.7 Meetings by Telephone. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board or any committee designated by the Board may participate in a meeting of the Board or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

4.8 Presiding Officer. The Chairman of the Board shall preside at all meetings of the Board or, in his absence, a chairman appointed by the Board. The Secretary or in the absence of the Secretary, an Assistant Secretary, shall act as secretary of each meeting, but in the absence of the Secretary and an Assistant Secretary, the chairman of the meeting may appoint any person to act as secretary of the meeting.

SECTION 5 COMMITTEES OF THE BOARD

5.1 Designation of Committees. The Board may, by resolution passed by a majority of the Continuing Directors, designate one or more committees, each committee to consist of one or more of the directors of

the Corporation. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board to act at the meeting in the place of any such absent or disqualified member.

5.2 Authority of Committees. Any such committee shall have those powers of the Board in the management of the business and affairs of the Corporation provided in the resolution of the Board designating such committee, provided that no such committee shall have the power or authority to propose amendments to the Certificate of Incorporation, adopt an agreement of merger or consolidation, recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property or assets, recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amend these Bylaws.

5.3 Minutes. Each committee shall keep regular minutes of its meetings and report the same to the Board when required.

SECTION 6 NOTICES

6.1 Form of Notice. Unless provided otherwise by law, the Certificate of Incorporation or these Bylaws, any notice that is required to be given to stockholders shall be given in writing, by mail, addressed to such stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may be given in like manner or may be given by telephone or facsimile transmission or by sending the same by national commercial courier service for next-day delivery.

6.2 Waiver. Whenever any notice is required to be given under law, the Certificate of Incorporation or these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

SECTION 7 OFFICERS

7.1 General. The officers of the Corporation shall be chosen by the Board at its first meeting after each annual meeting of stockholders and shall be a President, a Secretary and a Treasurer. The Board may also choose one or more Vice Presidents and one or more Assistant Secretaries and Assistant Treasurers. Any number of offices may be held by the same person, unless the Certificate of Incorporation or the Bylaws otherwise provide.

7.2 Other Officers. The Board may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

7.3 Compensation. The salaries of all officers and agents of the Corporation shall be fixed by the Board.

7.4 Term. The officers of the Corporation shall hold office until their successors are chosen and qualify. Subject to such obligations of the Corporation as may exist under any contract of employment, any officer elected or appointed by the Board may be removed at any time by the President or by the affirmative vote of a majority of the Continuing Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board.

7.5 Chairman of the Board. The Board may appoint a Chairman of the Board who shall preside at meetings of the Board of Directors and the stockholders and perform such other duties as may be designated by the Board of Directors or these Bylaws. The Chairman of the Board shall not, solely by virtue of such position, be an officer of the Corporation. The Chairman of the Board and any person performing the duties of the Chairman of the Board at his request or in his absence or in the event of his inability or refusal to act shall be a United States citizen.

7.6 President. The President shall have the general powers, duties and responsibilities of supervision and management inherent in such office as well as such additional powers and duties as the Board may from time to time prescribe. The President shall be the chief executive officer and chief operating officer of the Corporation. The President shall control and direct the Corporation's business and, except as the Board may otherwise direct, shall supervise, direct and control the management and daily operations of the business of the Corporation and have general charge of the Corporation's property and supervision over the Corporation's officers, employees and agents. At the request of the Chairman of the Board, or in his absence or during his disability, the President shall perform the duties and exercise the functions of the Chairman of the Board. Except as the Board may otherwise authorize, the

President shall execute bonds, mortgages and any other contracts of any nature on behalf of the Corporation. The President and any person performing the duties of the President in his absence or in the event of his inability or refusal to act shall be a United States citizen.

7.7 Vice Presidents. In the absence of the President or in the event of his inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the Board, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice Presidents shall perform such other duties and have such other powers as the Board may from time to time prescribe.

7.8 Secretary. The Secretary shall attend all meetings of the Board and all meetings of the stockholders and record all the proceedings of the meetings of the Corporation and of the Board in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board, and shall perform such other duties as may be prescribed by the Board or President, under whose supervision he shall be. He shall have custody of the corporate seal of the Corporation and he, or an Assistant Secretary, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by his signature or by the signature of such Assistant Secretary. The Board may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

7.9 Assistant Secretary. The Assistant Secretary, or if there be more than one, the Assistant Secretaries in the order determined by the Board (or if there be no such determination, then in the order of their election) shall, in the absence of the Secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Secretary and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

7.10 Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board. He shall disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements, and shall render to the President and the Board, at its regular meetings, or when the Board so requires, an account of all his transactions as treasurer and of the financial condition of the Corporation. If required by the Board, he shall give the Corporation a bond (which shall be renewed every six years) in such sum and with such surety or sureties as shall be satisfactory to the Board for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

7.11 Assistant Treasurer. The Assistant Treasurer, or if there shall be more than one, the Assistant Treasurers in the order determined by the Board (or if there be no such determination, then in the order of their election) shall, in the absence of the Treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the Treasurer and shall perform such other duties and have such other powers as the Board may from time to time prescribe.

SECTION 8 STOCK

8.1 Certificated or Uncertificated. The shares of the Corporation shall be uncertificated or shall be represented by certificates signed in the name of the Corporation by the Chairman of the Board or the President or a Vice President and by the Secretary or an Assistant Secretary of the Corporation. Upon the face or back of each stock certificate issued to represent any partly paid shares, or upon the books and records of the Corporation in the case of uncertificated partly paid shares, shall be set forth the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated.

8.2 Summary of Rights. The powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series of each class of stock, and of each series of any class, and the qualifications, limitations or restrictions of such preferences and rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; provided that, except as otherwise provided in Section 202 of Delaware Law, or in any act amending, supplementing or substituted for such section, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate which the Corporation shall issue to represent such class or series of stock, a statement that 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 rights.

8.3 Notice to Holders of Uncertificated Stock. Within a reasonable time after the issuance or transfer of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to Sections 151, 156, 202(a) or 218(a) of Delaware Law or a statement that 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 rights.

8.4 Facsimile Signatures. Any of or all the signatures on a certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

8.5 Lost Certificates. The Board may direct a new certificate or certificates or uncertificated shares to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates or uncertificated shares, the Board may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

8.6 Transfer of Stock. Upon surrender to the Corporation or the transfer agent of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares such uncertificated shares shall be cancelled and issuance of new equivalent uncertificated shares or certificated shares shall be made to the person entitled thereto and the transaction shall be recorded upon the books of the Corporation.

8.7 Registered Stockholders. Except as otherwise provided by law, the Corporation, and its directors, officers and agents, may recognize and treat a person registered on its records as the owner of shares, as the owner in fact thereof for all purposes, and as the person exclusively entitled to have and to exercise all rights and privileges incident to the ownership of such shares, and rights under this Section 8.7 shall not be affected by any actual or constructive notice that the Corporation, or any of its directors, officers or agents, may have to the contrary.

SECTION 9 INDEMNIFICATION

9.1 Indemnity. (a) Except with respect to an action or Claim (other than as authorized in Section 9.2) commenced by an Indemnitee against the Corporation or by an Indemnitee as a derivative action or in the right of the Corporation that has not been authorized by the Board, the Corporation shall indemnify, defend and hold harmless any Indemnitee against Expenses reasonably incurred or suffered in connection with any Claim against Indemnitee, whether the basis of such Claim is alleged action or inaction in an official or other capacity while serving as a director or officer of the Corporation or while serving at the request of the Corporation as a director, officer or fiduciary of another corporation, partnership, joint venture, trust or other enterprise or an employee benefit plan of the Corporation (including appearances as a witness or in connection with giving testimony or evidence), if:

(i) the Indemnitee is successful in his defense of the Claim on the merits or otherwise, or

(ii) the Indemnitee has been found by the Determining Body to have met the Standard of Conduct (as determined in accordance with the procedures set forth in this Section 9.1), provided that no indemnification shall be made in respect of any Claim by or in the right of the Corporation as to which Indemnitee shall have been adjudicated in a final judgment to be liable to the Corporation, unless, and only to the extent that the court in which such Claim was brought shall determine upon application that, despite such adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such Expenses which the court shall deem proper.

(b) For purposes of this Section 9, the "Standard of Conduct" is met when conduct by an Indemnitee with respect to which a Claim is asserted was conduct performed in good faith which he reasonably believed to be in, or not opposed to, the best interest of the Corporation, and, in the case

of a Claim which is a criminal action or proceeding, conduct that the Indemnitee had no reasonable cause to believe was unlawful. The termination of any Claim by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not meet the Standard of Conduct.

(c) Promptly upon becoming aware of the existence of any Claim as to which Indemnitee may be indemnified hereunder, Indemnitee shall notify the Chairman of the Board of the Corporation, but the failure to promptly notify the Chairman of the Board shall not relieve the Corporation from any obligation under this Section 9. Upon receipt of such request, the Chairman of the Board shall promptly advise the members of the Board of the request and that the establishment of a Determining Body with respect to Indemnitee's request for indemnification as to the Claim will be presented at the next regularly scheduled meeting of the Board. If a meeting of the Board is not regularly scheduled within 90 calendar days of the date the Chairman of the Board receives notice of the Claim, the Chairman of the Board shall cause a special meeting of the Board of Directors to be called within such period in accordance with the provisions of the Bylaws. After the Determining Body has been established, the Determining Body shall inform the Indemnitee of the constitution of the Determining Body and Indemnitee shall provide the Determining Body with all facts relevant to the Claim known to such Indemnitee, and deliver to the Determining Body all documents relevant to the Claim in Indemnitee's possession. Before the 60th day after its receipt from the Indemnitee of such information (the "Determination Date"), together with such additional information as the Determining Body may reasonably request of Indemnitee prior to such date (the receipt of which shall not begin a new 60-day period) the Determining Body shall determine whether or not Indemnitee has met the Standard of Conduct and shall advise Indemnitee of its determination. If Indemnitee shall have supplied the Determining Body with all relevant information, including all additional information reasonably requested by the Determining Body, any failure of the Determining Body to make a determination by or on the Determination Date as to whether the Standard of Conduct was met shall be deemed to be a determination that the Standard of Conduct was met by Indemnitee.

(d) If at any time during the 60-day period ending on the Determination Date, Indemnitee becomes aware of any relevant facts not theretofore provided by him to the Determining Body, Indemnitee shall inform the Determining Body of such facts, unless the Determining Body has obtained such facts from another source. The provision of such facts to the Determining Body shall not begin a new 60 day period.

(e) The Determining Body shall have no power to revoke a determination that Indemnitee met the Standard of Conduct unless Indemnitee (i) submits to the Determining Body at any time during the 60 days prior to the Determination Date fraudulent information, (ii) fails to comply with the provisions of Section 9.1(d), or (iii) intentionally fails to submit information or documents relevant to the Claim reasonably requested by the Determining Body prior to the Determination Date.

(f) In the case of any Claim not involving any threatened or pending criminal proceeding:

(i) if prior to the Determination Date the Determining Body has affirmatively made a determination that Indemnitee met the Standard of Conduct (not including a determination deemed to have been made by inaction), the Corporation may, in its sole discretion, after notice to Indemnitee, assume all responsibility for the defense of the Claim with counsel satisfactory to Indemnitee (who shall not, except with the written consent of Indemnitee, be counsel to the Corporation), and, in any event, the Corporation and the Indemnitee each shall keep the other informed as to the progress of the defense of the Claim, including prompt disclosure of any proposals for settlement; provided that if the Corporation is a party to the Claim and Indemnitee reasonably determines that there is any conflict between the positions of the Corporation and Indemnitee, with respect to the Claim or otherwise, then Indemnitee shall be entitled to conduct his defense with counsel of his choice at the Corporation's expense in accordance with the terms and conditions of this Section 9; and provided further that Indemnitee shall in any event be entitled at his expense to employ counsel chosen by him to participate in the defense of the Claim; and

(ii) The Corporation shall not be obligated to indemnify Indemnitee for any amount paid in a settlement that the Corporation has not approved. The Corporation shall fairly consider any proposals by Indemnitee for settlement of the Claim. If the Corporation proposes a settlement of the Claim and such settlement is acceptable to the person asserting the Claim, or the Corporation believes a settlement proposed by the person asserting the Claim should be accepted, it shall inform Indemnitee of the terms of such proposed settlement and shall fix a reasonable date by which Indemnitee shall respond. If Indemnitee agrees to such terms, he shall execute such documents as shall be necessary to make final the settlement. If Indemnitee does not agree with such terms, Indemnitee may proceed with the defense of the Claim in any manner he chooses, provided that if Indemnitee is not successful on the merits or otherwise, the Corporation's obligation to indemnify such Indemnitee as to any Expenses incurred following his disagreement shall be limited to the

lesser of (A) the total Expenses incurred by Indemnitee following his decision not to agree to such proposed settlement or (B) the amount that the Corporation would have paid pursuant to the terms of the proposed settlement.

(g) In the case of any Claim involving a proposed, threatened or pending criminal proceeding, Indemnitee shall be entitled to conduct the defense of the Claim with counsel of his choice and to make all decisions with respect thereto; provided, that the Corporation shall not be obliged to indemnify Indemnitee for any amount paid in settlement of such a Claim unless the Corporation has approved such settlement.

(h) After notifying the Corporation of the existence of a Claim in accordance with Section 9.1(c), Indemnitee may from time to time request the Corporation to pay the Expenses (other than judgments, fines, penalties or amounts paid in settlement) that he incurs in pursuing a defense of the Claim prior to the time that the Determining Body determines whether the Standard of Conduct has been met. The Disbursing Officer shall pay to Indemnitee the amount requested (regardless of Indemnitee's apparent ability to repay such amount) upon receipt of an undertaking by or on behalf of Indemnitee to repay such amount along with any other amounts advanced or paid after the Determination Date in accordance with the provisions of this Section 9.1, if (i) the Determining Body determines prior to the Determination Date that Indemnitee did not meet the Standard of Conduct or (ii) Indemnitee is prohibited from being indemnified by the Corporation by virtue of the provisions of Delaware Law.

(i) After it has been determined that the Standard of Conduct has been met, for so long as and to the extent that the Corporation is required to indemnify Indemnitee under this Section 9, the provisions of Section 9.1(h) shall continue to apply with respect to Expenses incurred after such time except that (i) no undertaking shall be required of Indemnitee and (ii) the Disbursing Officer shall pay to Indemnitee the amount of any fines, penalties or judgments against him that have become final and for which he is entitled to indemnification hereunder, and any amount of indemnification ordered to be paid to him by a court.

(j) Any determination by the Corporation with respect to settlement of a Claim shall be made by the Determining Body.

(k) All determinations and judgments made by the Determining Body hereunder shall be made in good faith.

(l) The Corporation and Indemnitee shall keep confidential to the extent permitted by law and their fiduciary obligations all facts and determinations provided pursuant to or arising out of the operation of this Section 9 and the Corporation and Indemnitee shall instruct its or his agents and employees to do likewise.

9.2 Enforcement. The rights provided by this Section 9 shall be enforceable by Indemnitee in any court of competent jurisdiction. If Indemnitee seeks a judicial adjudication of his rights under this Section 9 Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any and all Expenses actually and reasonably incurred by him in connection with such proceeding but only if he prevails therein. If it shall be determined that Indemnitee is entitled to receive part but not all of the relief sought, then the Indemnitee shall be entitled to be reimbursed for all Expenses incurred by him in connection with such judicial adjudication if the amount to which he is determined to be entitled exceeds 50% of the amount of his claim. Otherwise, the Expenses incurred by Indemnitee in connection with such judicial adjudication shall be appropriately prorated.

9.3 Reformation. If any provision of this Section 9 is determined by a court having jurisdiction over the matter to violate or conflict with applicable law, the court shall be empowered to modify or reform such provision so that, as modified or reformed, such provision provides the maximum indemnification permitted by Delaware Law, and such provision, as so modified or reformed, and the balance of this Section 9 shall be applied in accordance with their terms. Without limiting the generality of the foregoing, if any portion of this Section 9 shall be invalidated on any ground, the Corporation shall nevertheless indemnify an Indemnitee to the full extent permitted by any applicable portion of this Section 9 that shall not have been invalidated and to the full extent permitted by law with respect to that portion that has been invalidated.

9.4 Successors and Assigns. This Section 9 shall be binding upon the Corporation, its successors and assigns, and shall inure to the benefit of the Indemnitee's heirs, administrators, executors, personal representatives and assigns and to the benefit of the Corporation, its successors and assigns.

9.5 Amendments. No amendment to or modification of this Section 9 or any portion hereof shall limit any Indemnitee's entitlement to indemnification in accordance with the provisions hereof with respect to any acts or omissions of Indemnitee which occur or accrue prior to such amendment or modification.

9.6 Contribution. If the indemnity provided for in this Section 9 is for any reason unavailable or insufficient to hold harmless an Indemnitee with respect to any Expenses, the Corporation shall make a

contribution to the Indemnitee for such liabilities to which the Indemnitee may be subject in such proportion as is appropriate to reflect the intent of this Section 9.

9.7 Reliance. Each person who is serving as an Indemnitee shall be deemed to be doing so in reliance upon the indemnification provided for in this Section 9. The rights of an Indemnitee hereunder shall be contract rights and shall vest in the Indemnitee upon the occurrence of the event, or the first event in a chain of events, giving rise to such Claim; provided that the adoption of the Bylaws shall not affect any right or obligation of the Corporation or of any Indemnitee which existed prior to such adoption.

9.8 Nonexclusivity. (a) The rights conferred herein on any person shall (i) be severable, (ii) not be exclusive of any other rights which such person may have or hereafter acquire under any statute, certificate of incorporation, contract or other agreement, authorization of stockholders or disinterested directors or otherwise, and (iii) continue as to an Indemnitee who has ceased to serve on behalf of the Corporation in respect of all claims arising out of action (or inaction) occurring prior to such time.

(b) It is the intent of the Corporation to indemnify and hold harmless Indemnitee to the fullest extent permitted by Delaware Law, as such law exists or may be amended after the date the Bylaws are adopted, but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than Delaware Law permitted prior to the amendment, notwithstanding any provision in Section 9 to the contrary.

9.9 Insurance. The Corporation may procure or maintain insurance or other similar arrangement on behalf of any Indemnitee or any person who is or was an employee or agent of the Corporation, or is serving at the request of the Corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against or incurred by him in his capacity as such, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of Delaware Law. Without limiting the power of the Corporation to procure or maintain any other kind of insurance or similar arrangement, the Corporation may create a trust fund or other form of self-insurance arrangement for the benefit of any Indemnitee or such other person to the fullest extent authorized by Delaware Law.

SECTION 10 GENERAL PROVISIONS

10.1 Fixing Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express unanimous consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect to any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix in advance a record date which shall not be more than 60 nor less than ten days before the date of such meeting, nor more than 60 days prior to any other action. Except as otherwise provided in the Bylaws, a determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting, provided, however, that the Board may fix a new record date for the adjourned meeting.

10.2 Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for such other purpose as the directors shall think conducive to the interest of the Corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

10.3 Checks. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board may from time to time designate.

10.4 Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board.

10.5 Seal. The corporate seal shall have inscribed thereon the name of the Corporation and shall be in such form as may be approved from time to time by the incorporator, or, after the appointment of directors, the Board of Directors. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 11 DEFINITIONS

The following terms, for all purposes of the Bylaws, shall have the following meaning:

"Affiliate" or "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations promulgated under the Securities Exchange Act of 1934, as amended (the term "registrant" in such Rule 12b-2 meaning in this case the Corporation); provided, however, that in no event shall the Corporation, any of its Subsidiaries, any employee benefit plan or any of the other persons or entities exempted from the definition of Interested Stockholder as provided in the Certificate of Incorporation be deemed to be an Affiliate or Associate of any Interested Stockholder.

A person shall be deemed to be the "Beneficial Owner" of any shares of Capital Stock (regardless whether owned of record):

(1) Which that person or any of its Affiliates or Associates, directly or indirectly, owns beneficially;

(2) Which such person or any of its Affiliates or Associates has (A) the right to acquire (whether exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (B) the right to vote pursuant to any agreement, arrangement or understanding; or

(3) Which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of voting capital stock of the Corporation or any Subsidiaries.

"Capital Stock" means any Common Stock, Preferred Stock or other shares of capital stock of the Corporation.

"Certificate of Incorporation" shall mean the certificate of incorporation of the Corporation, as it may be amended from time to time.

"Claim" shall mean any threatened, pending or completed claim, action, suit or proceeding, including appeals, whether civil, criminal, administrative or investigative and whether made judicially or extra-judicially, including any action by or in the right of the Corporation, or any separate issue or matter therein, as the context requires.

"Common Stock" shall mean the common stock of the Corporation, as provided for in the Certificate of Incorporation.

"Delaware Law" shall mean the General Corporation Law of the State of Delaware.

"Determining Body" shall mean (i) those members of the Board of Directors who do not have a direct or indirect interest in the Claim for which indemnification is being sought ("Impartial Directors"), if there are at least two Impartial Directors, (ii) a committee of at least two Impartial Directors appointed by the Board or a duly authorized committee thereof (regardless of whether the directors voting on such appointment are Impartial Directors) and composed of Impartial Directors or (iii) if there are fewer than two Impartial Directors or if the Board or a duly authorized committee thereof so directs (regardless whether the members thereof are Impartial Directors), independent legal counsel, which may be the regular outside counsel of the Corporation, as determined by the Impartial Directors or, if no such directors exist, the full Board.

"Disbursing Officer" shall mean the Treasurer of the Corporation or, if the Treasurer has a direct or indirect interest in the Claim for which indemnification is being sought, any officer who does not have such an interest and who is designated by the Chairman of the Board to be the Disbursing Officer with respect to indemnification requests related to the Claim, which designation shall be made promptly after receipt of the initial request for indemnification with respect to such Claim.

"Expenses" shall mean any expenses or costs, including, without limitation, attorney's fees, judgments, punitive or exemplary damages, fines, excise taxes or amounts paid in settlement.

"Indemnitee" shall mean any person who is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer or fiduciary of another corporation, partnership, joint venture, trust or other enterprise (including, without limitation, employee benefit plans of the Corporation).

"Preferred Stock" shall mean the preferred stock of the

Corporation, as provided for in the Certificate of Incorporation.

"Subsidiary" means any corporation, partnership or other entity of which the Corporation, directly or indirectly, owns voting stock or similar interests having a majority of the votes entitled to be cast.

"Voting Stock" means the outstanding shares of Capital Stock entitled to vote generally in an election of directors.

SECTION 12
AMENDMENTS

The Corporation's Bylaws may be altered, amended, or repealed or new Bylaws may be adopted by the Board of Directors.

REGISTRATION RIGHTS AGREEMENT

Among

SUPERIOR ENERGY SERVICES, INC.

And

FIRST RESERVE FUND VII, LIMITED PARTNERSHIP
FIRST RESERVE FUND VIII, LIMITED PARTNERSHIP

July 15, 1999

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is entered into this 15th day of July, 1999, by and among Superior Energy Services, Inc., a Delaware corporation ("Superior"), and First Reserve Fund VII, Limited Partnership, a Delaware limited partnership, and First Reserve Fund VIII, Limited Partnership, a Delaware limited partnership (each a "First Reserve Fund" and, collectively, the "First Reserve Funds").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Agreement and Plan of Merger (the "Merger Agreement") dated April 20, 1999 entered into by and among, INTER ALIA, Superior, Cardinal Holding Corp. ("Cardinal") and the First Reserve Funds, each First Reserve Fund received upon consummation of the Merger contemplated by the Merger Agreement, shares of Superior Common Stock in exchange for the shares of common stock of Cardinal it holds; and

WHEREAS, the parties hereto desire to set forth certain additional agreements among them relating to the Registrable Securities owned by the First Reserve Funds.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

1. DEFINED TERMS. The following capitalized terms when used in this Agreement shall have the following meanings:

"Cardinal Holders" means the holders of registerable securities in accordance with the terms of the Cardinal Registration Rights Agreement.

"Cardinal Registration Rights Agreement" means that certain Registration Rights Agreement, dated as of the date hereof, by and among Superior and all of Cardinal's stockholders other than the First Reserve Funds.

"Common Stock" means the common stock, \$.001 par value per share, of Superior.

"Demand Registration" means a demand registration as defined in Section 2(a) hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Holders" means the holders of the Registrable Securities in accordance with the terms of this Agreement.

"Person" means an individual, corporation, partnership, limited liability company, business trust, joint stock company, unincorporated association, or other entity of whatever nature.

"Piggyback Registration" means a piggyback registration as defined in Section 2(b) hereof.

"Prospectus" means the prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and all other amendments and supplements to the prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such prospectus.

"Registrable Securities" means (a) all shares of Common Stock issued to the First Reserve Funds pursuant to the Merger Agreement and (b) any other securities issued by Superior after the date hereof with respect to such shares of Common Stock by means of exchange, reclassification, dividend, distribution, split up, combination, subdivision, recapitalization, merger, spin-off, reorganization or otherwise; provided, however, that as to any Registrable Securities, such securities shall cease to constitute Registrable Securities for the purposes of this Agreement if and when: (i) a Registration Statement with respect to the sale of such securities shall have been declared effective by the SEC and such securities shall have been sold pursuant thereto; (ii) such securities shall have been sold in compliance with of all applicable resale provisions of Rule 144 under the Securities Act; or (iii) such securities cease to be issued and outstanding for any reason.

"Registration Statement" means any registration statement filed by Superior that covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus included therein, amendments and supplements to such registration statement, including post-effective amendments, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

"SEC" means the Securities and Exchange Commission, or any successor agency thereto.

"Securities Act" means the Securities Act of 1933, as amended.

2. REGISTRATION RIGHTS

(a) Demand Registration. (i) At any time after July 15, 2000, the First Reserve Funds may at any time and from time to time make a written request for registration under the Securities Act of not less than 20% of the Registrable Securities owned by them (a "Demand Registration"); provided that Superior shall not be obligated to effect more than one Demand Registration in any 12-month period or more than an aggregate of four Demand Registrations pursuant to this Section 2(a). Such request will specify the number of shares of Registrable Securities proposed to be sold and will also specify the intended method of disposition thereof. A registration will not count as a Demand Registration until the Registration Statement filed pursuant to such registration has been declared effective by the SEC and remains effective for the period specified in Section 2(e)(i).

(ii) If the First Reserve Funds so elect, the offering of such Registrable Securities pursuant to such Demand Registration shall be in the form of an underwritten offering. The First Reserve Funds shall select the managing underwriters and any additional investment bankers and managers to be used in connection with the offering; provided that the lead managing underwriter must be reasonably satisfactory to Superior.

(iii) Neither Superior nor any of its security holders (other than the holders of Registrable Securities in such capacity) shall be entitled to include any of Superior's securities in a Registration Statement initiated as a Demand Registration under this Section 2(a) without the consent of The First Reserve Funds.

(b) Piggyback Registration. If Superior proposes to file a registration statement under the Securities Act with respect to an offering of Common Stock (i) for Superior's own account (other than a registration statement on Form S-4 or S-8 (or any substitute form that may be adopted by the SEC for transactions traditionally registered on Form S-4 or S-8)) or (ii) for the account of any of its holders of Common Stock (other than pursuant to a Demand Registration under Section 2(a)), except for the Shelf Registration (as that term is defined in the Cardinal Registration Rights Agreement, then Superior shall give written notice of such proposed filing to the First Reserve Funds as soon as practicable (but in no event later than the earlier to occur of (i) the tenth day following receipt by Superior of notice of exercise of other Demand Registration rights and (ii) 30 days before the filing date), and such notice shall offer the First

Reserve Funds the opportunity to register such number of shares of Registrable Securities as the First Reserve Funds may request within 20 days after receipt by the First Reserve Funds of Superior's notice on the same terms and conditions as Superior's or such holder's Common Stock (a "Piggyback Registration"). The First Reserve Funds will be permitted to withdraw all or any part of their Registrable Securities from a Piggyback Registration at any time prior to the date the Registration Statement filed pursuant to such Piggyback Registration becomes effective with the SEC.

(c) Reduction of Offering. Notwithstanding anything contained herein, if the Piggyback Registration is an underwritten offering and the lead managing underwriter of such offering delivers a written opinion to Superior that the size of the offering that Superior, the First Reserve Funds, the Cardinal Holders and any other Persons whose securities are proposed to be included in such offering is such that the offering or the offering price would be materially and adversely affected, Superior will include in such Piggyback Registration in the following order of priority (i) first, all of the Registrable Securities requested by the First Reserve Funds and the Cardinal Holders, on a pro rata basis based on the amount of securities sought to be registered, and (ii) second, the securities proposed to be registered by any other Persons; provided, that in no event shall the number of securities included in a Piggyback Registration for Persons pursuant to Section (c)(ii) be reduced below the lesser of (i) the number of securities such persons would be entitled to include in such Piggyback Registration if, in the event of a reduction of the size of the offering pursuant to this Section 2(c), they were entitled, notwithstanding the terms of this Section 2(c), to include their securities in such Piggyback Registration on a pro rata basis with the First Reserve Funds and the Cardinal Holders based on the amount of securities sought to be registered and (ii) 20% of the total amount of securities included in such offering for Persons other than Superior and the Persons, if any, demanding such registration.

(d) Filings; Information. Whenever the First Reserve Funds request that any Registrable Securities be registered pursuant to Section 2(a) hereof, Superior will use its reasonable best efforts to effect the registration of such Registrable Securities and to permit the sale of such Registrable Securities in accordance with the intended method of disposition thereof, as promptly as is practicable, and in connection with any such request:

(i) Superior will as expeditiously as possible, but in no event later than 30 days after receipt of a request to file a registration statement with respect to such Registrable Securities, prepare and file with the SEC a Registration Statement on any form for which Superior then qualifies and which counsel for Superior shall deem appropriate and available for the sale of the Registrable Securities to be registered thereunder in accordance with the intended method of distribution thereof and which is reasonably satisfactory to the First Reserve Funds, and use its reasonable best efforts to cause such Registration Statement to become and remain effective for a period of not less than 90 days (or such shorter period which will terminate when all Registrable Securities covered by such Registration Statement have been sold); provided that if at the time Superior receives a request to file a registration statement with respect to Registrable Securities, Superior is engaged in confidential negotiations or other confidential business activities, disclosure of which would be required in such registration statement (but would not be required if such registration statement were not filed) and the board of directors of Superior determines in good faith that such disclosure would be materially detrimental to Superior and its stockholders, Superior shall have a period of not more than 120 days (less the number of days during the previous 12 months that the use of a Prospectus was suspended pursuant to Section 2(d)(vi) and/or this Section 2(d)(i)) within which to file such registration statement measured from the date of Superior's receipt of the First Reserve Funds's request for registration in accordance with Section 2(a) hereof. The filing of a registration statement may only be deferred once for any potential transaction or event or related transactions or events that could arise as a result of negotiations or other activities and any registration statement whose filing has been deferred as a result shall be filed forthwith if the negotiations or other activities are disclosed or terminated. In order to defer the filing of a registration statement pursuant to this Section 2(d)(i), Superior shall promptly, upon determining to seek such deferral, deliver to the First Reserve Funds a certificate signed by the President or Chief Financial Officer of Superior stating that Superior is deferring such filing pursuant to this Section 2(d)(i).

(ii) Superior will prepare and file with the SEC such amendments and supplements to such Registration Statement and the Prospectus used in connection therewith as may be necessary to keep such Registration Statement effective for the period set forth in Section 2(d)(i) and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement.

(iii) Superior will, if requested, prior to filing a Registration Statement or any amendment or supplement thereto, furnish to the First Reserve Funds and each applicable managing underwriter, if any, copies thereof, and thereafter furnish to the First Reserve Funds and each such underwriter, if any, such number of copies of such Registration Statement, amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein) and the Prospectus included in such Registration Statement (including each preliminary Prospectus) as the First Reserve Funds or each such underwriter may reasonably request in order to facilitate the sale of the Registrable Securities.

(iv) After the filing of the Registration Statement, Superior will promptly notify the First Reserve Funds of any stop order issued or, to Superior's knowledge, threatened to be issued by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it as soon as possible if entered.

(v) Superior will use its reasonable best efforts to qualify the Registrable Securities for offer and sale under such other securities or blue sky laws of such jurisdictions in the United States as the First Reserve Funds reasonably request; provided that Superior will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph 2(d)(v), (B) subject itself to taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction.

(vi) Superior will as promptly as is practicable notify the First Reserve Funds, at any time when a Prospectus is required by law to be delivered in connection with sales by an underwriter or dealer, of the occurrence of any event requiring the preparation of a supplement or amendment to such Prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and promptly make available to the First Reserve Funds and to the underwriters any such supplement or amendment. The First Reserve Funds agree that, upon receipt of any notice from Superior of the occurrence of any event of the kind described in the preceding sentence, the First Reserve Funds will forthwith discontinue the offer and sale of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until receipt by the First Reserve Funds and the underwriters of the copies of such supplemented or amended Prospectus and, if so directed by Superior, the First Reserve Funds will deliver to Superior all copies, other than permanent file copies, then in the First Reserve Funds' possession of the most recent Prospectus covering such Registrable Securities at the time of receipt of such notice. In the event Superior shall give such notice, Superior shall extend the period during which such Registration Statement shall be maintained effective as provided in Section 2(e)(i) by the number of days during the period from and including the date of the giving of such notice to the date when Superior shall make available to the First Reserve Funds such supplemented or amended Prospectus.

(vii) Superior will enter into customary agreements (including an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the sale of such Registrable Securities.

(viii) Superior will furnish to the First Reserve Funds and to each underwriter a signed counterpart, addressed to the First Reserve Funds or such underwriter, of an opinion or opinions of counsel to Superior and a comfort letter or comfort letters from Superior's independent public accountants, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters, as the case may be, as the First Reserve Funds or the managing underwriter reasonably requests.

(ix) Superior will make generally available to its security holders, as soon as reasonably practicable, an earnings statement covering a period of 12 months, beginning within three months after the effective date of the Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the SEC thereunder.

(x) Superior will use its reasonable best efforts to cause all such Registrable Securities to be listed on each securities exchange or market on which the Common Stock is then listed.

Superior may require the First Reserve Funds to furnish promptly in writing to Superior such information regarding the First Reserve Funds, the plan of distribution of the Registrable Securities and other

information as Superior may from time to time reasonably request or as may be legally required in connection with such registration.

(e) Registration Expenses. In connection with any Demand Registration or any Piggyback Registration, Superior shall pay the following expenses incurred in connection with such registration: (i) filing fees with the SEC; (ii) fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities); (iii) printing expenses; (iv) fees and expenses incurred in connection with the listing of the Registrable Securities; (v) fees and expenses of counsel and independent certified public accountants for Superior and (vi) the reasonable fees and expenses of any additional experts retained by Superior in connection with such registration. In connection with the preparation and filing of a Registration Statement pursuant to Section 2(a), Superior will also pay the reasonable fees and expenses of a single legal counsel chosen by the First Reserve Funds. The First Reserve Funds shall pay any underwriting fees, discounts or commissions attributable to the sale of Registrable Securities and any other expenses of the First Reserve Funds.

(f) Participation in Underwritten Registrations. No Person may participate in any underwritten registered offering contemplated hereunder unless such Person (a) agrees to sell its securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and this Agreement.

(g) Holdback Agreements. The First Reserve Funds agree not to effect any public sale (including a sale pursuant to Rule 144 of the Securities Act) of any Registrable Securities, or any securities convertible into or exchangeable or exercisable for such securities, during the 14 days prior to, and during the 120-day period beginning on, the effective date of any underwritten Demand Registration or any underwritten Piggyback Registration in which the First Reserve Funds participate, other than the Registrable Securities to be sold pursuant to such registration statement.

3. INDEMNIFICATION

(a) Indemnification by Superior. Superior agrees to indemnify and hold harmless the First Reserve Funds, its general partner and their officers and directors, and each Person, if any, who controls the First Reserve Funds within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages, liabilities and expenses arising out or based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or prospectus relating to the Registrable Securities or any preliminary Prospectus, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities and expenses are caused by any untrue statement or omission or alleged untrue statement or omission based upon information relating to the First Reserve Funds or the plan of distribution furnished in writing to Superior by or on behalf of the First Reserve Funds expressly for use therein; provided that the foregoing indemnity with respect to any preliminary Prospectus shall not inure to the benefit of the First Reserve Funds if a copy of the most current Prospectus at the time of the delivery of the Registrable Securities was not provided to the purchaser, Superior had previously furnished the First Reserve Funds with a sufficient number of copies of the current Prospectus and such current Prospectus would have cured the defect giving rise to such loss, claim, damage or liability. Superior also agrees to indemnify any underwriters of the Registrable Securities, their officers and directors and each Person who controls such underwriters on substantially the same basis as that of the indemnification of the First Reserve Funds provided in this Section 3(a).

(b) Indemnification by The First Reserve Funds. The First Reserve Funds agree to indemnify and hold harmless Superior, its officers and directors, and each Person, if any, who controls Superior within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from Superior to the First Reserve Funds, but only with reference to information relating to the First Reserve Funds or the plan of distribution furnished in writing by or on behalf of the First Reserve Funds expressly for use in any Registration Statement or Prospectus, or any amendment or supplement thereto, or any preliminary Prospectus. The First Reserve Funds also agree to indemnify and hold harmless any underwriters of the Registrable Securities, their officers and directors and each person who controls such underwriters on substantially the same basis as that of the indemnification of Superior provided in this Section 3(b).

(c) Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to Section 3(a) or Section 3(b), such Person (the "Indemnified Party") shall promptly notify the Person against whom such indemnity may be sought (the "Indemnifying Party") in writing and the Indemnifying Party shall have

the right to assume the defense of such proceeding and retain counsel reasonably satisfactory to such Indemnified Party to represent such Indemnified Party and any others the Indemnifying Party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Indemnified Party and the Indemnifying Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Indemnifying Party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by the Indemnified Parties. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment.

(d) Contribution. If the indemnification provided for in this Agreement is unavailable to an Indemnified Party in respect of any losses, claims, damages, liabilities or expenses referred to herein, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of Superior and, the First Reserve Funds and the underwriters in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities. The relative fault of Superior and, the First Reserve Funds and the underwriters shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

Superior and the First Reserve Funds agree that it would not be just and equitable if contribution pursuant to this Section 3(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

4. RULE 144. Superior covenants that it will file any reports required to be filed by it under the Securities Act and the Exchange Act and that it will take such further action as the First Reserve Funds may reasonably request to the extent required from time to time to enable the First Reserve Funds to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC. Upon the request of the First Reserve Funds, Superior will deliver to the First Reserve Funds a written statement as to whether it has complied with such reporting requirements.

5. MISCELLANEOUS.

(a) NOTICES. Any notice or other communication required or permitted hereunder shall be in writing or by telex, telephone or facsimile transmission with subsequent written confirmation, and may be personally served or sent by United States mail and shall be deemed to have been given upon receipt by the party notified. For purposes hereof, the addresses of the parties hereto (until notice of a change thereof is delivered as provided in this Section 5) shall be as set forth opposite each party's name on the signature page hereof.

(b) TERMINATION. This Agreement will terminate upon the earlier of (i) the date upon which the Company and the First Reserve Funds mutually agree in writing to terminate this Agreement and (ii) the first date on which there ceases to be any Registrable Securities.

(c) TRANSFER OF REGISTRATION RIGHTS. The rights of Holders hereunder may be assigned by Holders to a transferee or assignee of any Registrable Securities provided that Superior is given written notice at the time of or within a reasonable time after said transfer, stating the name and address of such transferee or assignee and identifying the

securities with respect to which such registration rights are being assigned; and provided further that the registration rights granted by Superior in Section 2 may only be transferred to, and the definition of "Holders" shall only include, transferees who meet either of the following criteria: such transferee is (i) a holder of 100,000 or more shares of the Registrable Securities before giving effect to the transfer, (ii) any partner of the First Reserve Funds, or (iii) a bank, trust company or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form. To the extent the rights under Section 2(a) of this Agreement are assigned to multiple Holders, all rights hereunder that may be exercised by the First Reserve Funds may only be exercised by one or more Holders holding 50% or more of the Registrable Securities in the aggregate.

(d) WAIVERS AND AMENDMENTS; NONCONTRACTUAL REMEDIES; PRESERVATION OF REMEDIES. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by Superior and the Holders of a majority of the Registrable Securities or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising a right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude a further exercise thereof or the exercise of any other such right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity. The rights and remedies of any party based upon, arising out of or otherwise in respect of any breach of any provision of this Agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts upon which any claim of any such breach is based may also be the subject matter of any other provision of this Agreement (or of any other Agreement between the parties) as to which there is no breach.

(e) SEVERABILITY. If any provision of this Agreement or the applicability of any such provision to a person or circumstances shall be determined by any court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement or the application of such provision to Persons or circumstances other than those for which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision of this Agreement shall be valid and shall be enforced to the fullest extent permitted by law. To the extent permitted by applicable law each party hereto hereby waives any provision or provisions of law which would otherwise render any provision of this Agreement invalid, illegal or unenforceable in any respect.

(f) COUNTERPARTS. This Agreement may be executed by the parties hereto in separate counterparts and when so executed shall constitute one Agreement, notwithstanding that all parties are not signatories to the same counterpart.

(g) GOVERNING LAW. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware applicable to agreements made and to be performed entirely within such state.

(h) SUCCESSORS AND ASSIGNS. Subject to Section 5(c), this Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of the parties hereto.

(i) OTHER REGISTRATION RIGHTS AGREEMENTS. Without the prior written consent of the First Reserve Funds, Superior will neither enter into any new registration rights agreements that conflict with the terms of this Agreement nor permit the exercise of any other registration rights in a manner that conflicts with the terms of the registration rights granted hereunder.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

Address: SUPERIOR ENERGY SERVICES, INC.

1105 Peters Road
Harvey, Louisiana 70058
Attn: Terence E. Hall
Fax: 504-362-1818

By: /S/ TERENCE E. HALL
Terence E. Hall
President

Address:
600 Travis, Suite 6000
Houston, Texas 77002
Attn: Ben A. Guill
Fax: 713-224-0771
Attn: Ben A. Guill

FIRST RESERVE FUND VII, LIMITED
PARTNERSHIP

By: First Reserve GP VII, L.P., its
General Partner

By: First Reserve Corporation, its
General Partner

By: /S/ BEN A. GUILL
Ben A. Guill
President

FIRST RESERVE FUND VIII, LIMITED
PARTNERSHIP

By: First Reserve GP VIII, L.P., its
General Partner

By: First Reserve Corporation, its
General Partner

By: /S/ BEN A. GUILL
Ben A. Guill
President

REGISTRATION RIGHTS AGREEMENT

Among

SUPERIOR ENERGY SERVICES, INC.

And

THE PARTIES SPECIFIED HEREIN

July 15, 1999

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is entered into this ____ day of July 1999, by and among Superior Energy Services, Inc., a Delaware corporation ("Superior"), and the parties listed on the signature page hereof under the heading "Shareholders" (each a "Shareholder" and, collectively, the "Shareholders").

W I T N E S S E T H:

WHEREAS, pursuant to that certain Agreement and Plan of Merger (the "Merger Agreement") dated April 20, 1999, as amended by Amendment No. 1 thereto dated as of June 30, 1999, entered into by and between, INTER ALIA, Superior and Cardinal Holding Corp. ("Cardinal"), each Shareholder received upon consummation of the merger (the "Merger") contemplated by the Merger Agreement, shares of Superior Common Stock in exchange for the shares of common stock of Cardinal it holds; and

WHEREAS, the parties hereto desire to set forth certain additional agreements among them relating to the Registrable Securities owned by the Shareholders.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

1. DEFINED TERMS. The following capitalized terms when used in this Agreement shall have the following meanings:

"Affiliate" shall have the meaning ascribed by Rule 12b-2 promulgated under the Exchange Act.

"Common Stock" means the common stock, \$.001 par value per share, of Superior.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"First Reserve Funds" means First Reserve Fund VII, Limited Partnership and First Reserve Fund VIII, L.P., both Delaware limited partnerships.

"Fully Diluted Basis" means all issued and outstanding shares of Common Stock, plus all shares of Common Stock issuable upon the exercise of any warrants, options or rights to acquire Common Stock which are then outstanding, regardless of whether such warrants, options or other rights are at the time exercisable.

"Holders" means the holders of the Registrable Securities in accordance with the terms of this Agreement.

"Person" means an individual, corporation, partnership, limited liability company, joint venture, or other business trust, joint stock company, trust, unincorporated association or other legal entity of

whatever nature.

"Piggyback Registration" means a piggyback registration as defined in Section 2(b) hereof.

"Prospectus" means the prospectus included in any Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by such Registration Statement and all other amendments and supplements to the prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such prospectus.

"Registrable Securities" means (a) all shares of Common Stock issued to the Shareholders pursuant to the Merger Agreement and (b) any other securities issued by Superior after the date hereof with respect to such shares of Common Stock by means of exchange, reclassification, dividend, distribution, split up, combination, subdivision, recapitalization, merger, spin-off, reorganization or otherwise; provided, however, that as to any Registrable Securities, such securities shall cease to constitute Registrable Securities for the purposes of this Agreement if and when (i) a Registration Statement with respect to the sale of such securities shall have been declared effective by the SEC and such securities shall have been sold pursuant thereto; (ii) such securities shall have been sold in compliance with all applicable resale provisions of Rule 144 under the Securities Act; or (iii) such securities cease to be issued and outstanding for any reason.

"Registration Statement" means any registration statement filed by Superior that covers any of the Registrable Securities pursuant to the provisions of this Agreement, including the Prospectus included therein, amendments and supplements to such registration statement, including post-effective amendments, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

"SEC" means the Securities and Exchange Commission, or any successor agency thereto.

"Securities Act" means the Securities Act of 1933, as amended.

"Shelf Registration" means the shelf registration as defined in Section 2(a).

"Suspension Period" means a period of time (a) commencing on the date on which Superior provides notice that the Registration Statement for the Shelf Registration is no longer effective, the Prospectus included therein no longer complies with the requirements prescribed by Section 10(a) of the Securities Act or the occurrence of any event requiring the preparation of a supplement or amendment to the Prospectus included so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (b) ending on the date when each Shareholder either receives copies of the supplemented or amended Prospectus contemplated by subparagraph (a) above or otherwise is advised in writing by the Company that the use of the Prospectus may be resumed.

2. REGISTRATION RIGHTS

(a) Shelf Registration. (i) Superior shall prepare and file with the SEC within 90 days after the date hereof, a Registration Statement relating to the resale from time to time of the Registrable Securities by the Shareholders in accordance with the plan and method of distribution set forth in the Prospectus forming part of such Registration Statement (the "Shelf Registration").

(ii) Superior agrees to use its reasonable best efforts to keep the Shelf Registration continuously effective until the first to occur of (A) the second anniversary of the consummation of the Merger and (B) the date on which all of the Registrable Securities covered by the Shelf Registration have been sold pursuant thereto or may be sold pursuant to Rule 144(k) under the Securities Act (or any successor rule thereof).

(iii) Each Shareholder agrees that it will not sell any Registrable Securities pursuant to the Shelf Registration during any Suspension Period. Superior agrees to cause any Suspension Period to end as soon as reasonably practicable.

(iv) No Shareholder shall sell pursuant to the Shelf Registration a greater number of Registrable Securities than could be sold without registration under the Securities Act pursuant to Rule 144(e) as presently in effect.

(b) Piggyback Registration. If Superior proposes to file a registration statement under the Securities Act with respect to an offering of Common Stock (i) for Superior's own account (other than a registration

statement on Form S-4 or S-8 (or any substitute form that may be adopted by the SEC for transactions traditionally registered on Forms S-4 or S-8)) or (ii) for the account of any of its holders of Common Stock, then Superior shall give written notice of such proposed filing to the Shareholders as soon as practicable (but in no event later than 30 days before the filing date), and such notice shall offer the Shareholders the opportunity to register such number of shares of Registrable Securities as the Shareholders may request within 20 days after receipt by the Shareholders of Superior's notice on the same terms and conditions as Superior's or such Holder's Common Stock (a "Piggyback Registration"). The Shareholders will be permitted to withdraw all or any part of their Registrable Securities from a Piggyback Registration at any time prior to the date the Registration Statement filed pursuant to such Piggyback Registration becomes effective with the SEC.

Notwithstanding anything contained herein, if the Piggyback Registration is an underwritten offering and the lead managing underwriter of such offering delivers a written opinion to Superior that the size of the offering that Superior, the First Reserve Funds, the Holders and any other Persons whose securities are proposed to be included in such offering is such that the offering or the offering price would be materially and adversely affected, Superior will include in such Piggyback Registration in the following order of priority (i) first, all of the Registrable Securities requested by the First Reserve Funds and the Holders, on a pro rata basis based on the amount of securities sought to be registered, and (ii) second, the securities proposed to be registered by any other Persons; provided, that in no event shall the number of securities included in a Piggyback Registration for Persons pursuant to Section (c)(ii) be reduced below the lesser of (i) the number of securities such Persons would be entitled to include in such Piggyback Registration if, in the event of a reduction of the size of the offering pursuant to this Section 2(c), they were entitled, notwithstanding the terms of this Section 2(c), to include their securities in such Piggyback Registration on a pro rata basis with the First Reserve Funds and the Cardinal Holders based on the amount of securities sought to be registered and (ii) 20% of the total amount of securities included in such offering for Persons other than Superior and the Persons, if any, demanding such registration.

(c) Filings; Information. In connection with the Shelf Registration:

(i) Superior will prepare and file with the SEC a Registration Statement on any form of the SEC for which Superior then qualifies and which counsel for Superior shall deem appropriate and available for the sale of the Registrable Securities to be registered thereunder in accordance with the intended method of distribution thereof.

(ii) Superior will prepare and file with the SEC such amendments and supplements to the Registration Statement and Prospectus used in connection therewith as may be necessary to keep the Registration Statement effective for the period specified in Section 2(a)(ii) and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such Registration Statement.

(iii) Superior will, if requested, prior to filing the Registration Statement or any amendment or supplement thereto, furnish to any Shareholder, copies thereof, and thereafter furnish to each Shareholder, such number of copies of such Registration Statement, amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein) and the Prospectus included in the Registration Statement as such Shareholder may reasonably request in order to facilitate the sale of the Registrable Securities.

(iv) Superior will promptly notify each Shareholder when the SEC declares the Registration Statement effective.

(v) Superior will promptly notify the Shareholders of any stop order issued or, to Superior's knowledge, threatened to be issued by the SEC and take all reasonable actions required to prevent the entry of such stop order or to remove it as soon as practicable if entered.

(vi) Superior will use its reasonable best efforts to qualify the Registrable Securities for offer and sale under such other securities or blue sky laws of such jurisdictions in the United States as the Shareholders reasonably request; provided that Superior will not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this subparagraph 2(c)(vi), (B) subject itself to taxation in any such jurisdiction or (C) consent to general service of process in any such jurisdiction.

(vii) Superior will notify the Shareholders of the commencement and termination of a Suspension Period. The Shareholders agree that during any Suspension Period, the Shareholders will forthwith discontinue the offer and sale of

Registrable Securities pursuant to the Registration Statement until receipt by the Shareholders of the copies of such supplemented or amended Prospectus as may be required and, if so directed by Superior, the Shareholders will deliver to Superior all copies, other than permanent file copies, then in the Shareholders' possession of the most recent Prospectus at the time of receipt of such notice.

(viii) Superior will enter into customary agreements and take such other actions as are reasonably required in order to expedite or facilitate the sale of the Registrable Securities pursuant to the Registration Statement.

(ix) Superior will make generally available to the Shareholders, as soon as reasonably practicable, but not later than the first day of the fifteenth full calendar month following the effective date of the Registration Statement, an earnings statement covering a period of 12 months, beginning within three months after the effective date of the Registration Statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the SEC thereunder.

(x) Superior will use its reasonable best efforts to cause all such Registrable Securities to be listed on each securities exchange or market on which the Common Stock is then listed.

(xi) Superior will furnish to each Shareholder a signed counterpart, addressed to the Shareholder, of an opinion or opinions of counsel of Superior and a comfort letter or comfort letters from Superior's independent public accountants, each in customary form and covering such matters of the type customarily covered by opinions or comfort letters delivered to underwriters in underwritten public offerings of securities.

Superior may require the Shareholders to furnish promptly in writing to Superior such information regarding the Shareholders, the plan of distribution of the Registrable Securities and other information as Superior may from time to time reasonably request or as may be legally required in connection with the Registration Statement.

(d) Registration Expenses. In connection with the Shelf Registration or any Piggyback Registration, Superior shall pay the following expenses incurred in connection with such registration: (i) filing fees with the SEC; (ii) fees and expenses of compliance with securities or blue sky laws (including reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities); (iii) printing expenses; (iv) fees and expenses incurred in connection with the listing of the Registrable Securities; (v) fees and expenses of counsel and independent certified public accountants for Superior and (vi) the reasonable fees and expenses of any additional experts retained by Superior in connection with such registration. The Shareholders shall pay any underwriting fees, discounts or commissions attributable to the sale of Registrable Securities and any other out-of-pocket expenses of the Shareholders.

(e) Participation in Underwritten Registrations. No Person may participate in any underwritten registered offering contemplated hereunder unless such Person (a) agrees to sell its securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and this Agreement.

(f) Holdback Agreements. Any Shareholder owning more than 2% of the Common Stock on a Fully Diluted Basis agrees not to offer, sell, contract to sell or otherwise dispose of any Registrable Securities, or any securities convertible into or exchangeable or exercisable for such securities, during the 14 days prior to, and during the 120-day period beginning on, the effective date of any underwritten Piggyback Registration in which such Shareholder participates other than the Registrable Securities to be sold pursuant to such registration statement.

3. INDEMNIFICATION

(a) Indemnification by Superior. Superior agrees to indemnify and hold harmless the Shareholders, their respective general partners or managers, if any, and their respective officers and directors, and each Person, if any, who controls the Shareholders within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages, liabilities and expenses arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or prospectus relating to the Registrable Securities or any preliminary Prospectus, or arising out of or based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses are caused by any untrue statement or omission or alleged untrue statement or omission based upon information relating to the Shareholders or the plan of distribution

furnished in writing to Superior by or on behalf of the Shareholders expressly for use therein; provided that the foregoing indemnity with respect to any preliminary Prospectus shall not inure to the benefit of the Shareholders if a copy of the most current Prospectus at the time of the delivery of the Registrable Securities was not provided to the purchaser, Superior had previously furnished the Shareholders with a sufficient number of copies of the current Prospectus and such current Prospectus would have cured the defect giving rise to such loss, claim, damage, liability or expense. Superior also agrees to indemnify any underwriters of the Registrable Securities, their officers and directors and each Person who controls such underwriters on substantially the same basis as that of the indemnification of the Shareholders provided in this Section 3(a).

(b) Indemnification by The Shareholders. The Shareholders agree to indemnify and hold harmless Superior, its officers and directors, and each Person, if any, who controls Superior within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from Superior to the Shareholders, but only with reference to information relating to the Shareholders or the plan of distribution furnished in writing by or on behalf of the Shareholders expressly for use in any Registration Statement or Prospectus, or any amendment or supplement thereto, or any preliminary Prospectus. The Shareholders also agree to indemnify and hold harmless any underwriters of the Registrable Securities, their officers and directors and each Person who controls such underwriters on substantially the same basis as that of the indemnification of Superior provided in this Section 3(b).

(c) Conduct of Indemnification Proceedings. In case any proceeding (including any governmental investigation) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to Section 3(a) or Section 3(b), such Person (the "Indemnified Party") shall promptly notify the Person against whom such indemnity may be sought (the "Indemnifying Party") in writing and the Indemnifying Party shall have the right to assume the defense of such proceeding and retain counsel reasonably satisfactory to such Indemnified Party to represent such Indemnified Party and any others the Indemnifying Party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Indemnified Party and the Indemnifying Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Indemnifying Party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by the Indemnified Parties. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment.

(d) Contribution. If the indemnification provided for in this Agreement is unavailable to an Indemnified Party in respect of any losses, claims, damages, liabilities or expenses referred to herein, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of Superior and the Shareholders and the underwriters in connection with the statements or omissions that resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of Superior and the Shareholders and the underwriters shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

Superior and the Shareholders agree that it would not be just and equitable if contribution pursuant to this Section 3(d) were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

4. RULE 144. Superior covenants that it will file any reports required to be filed by it under the Securities Act and the Exchange Act, maintain registration of the Common Stock under the Exchange Act and take such further action as the Shareholders may reasonably request to the extent required from time to time to enable the Shareholders to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 under the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC. Upon the request of the Shareholders, Superior will deliver to the Shareholders a written statement as to whether it has complied with such reporting requirements.

5. MISCELLANEOUS.

(a) NOTICES. Any notice or other communication required or permitted hereunder shall be in writing or by telex, telephone or facsimile transmission with subsequent written confirmation, and may be personally served or sent by United States mail and shall be deemed to have been given upon receipt by the party notified. For purposes hereof, the addresses of the parties hereto (until notice of a change thereof is delivered as provided in this Section 5) shall be as set forth opposite each party's name on the signature page hereof.

(b) TERMINATION. This Agreement will terminate upon the earlier of (i) the date upon which the Company and Shareholders owning a majority of the Registrable Securities mutually agree in writing to terminate this Agreement and (ii) the first date on which there ceases to be any Registrable Securities.

(c) TRANSFER OF REGISTRATION RIGHTS. The rights of the Holders hereunder may be assigned by Holders to a transferee or assignee of any Registrable Securities provided that Superior is given written notice at the time of or within a reasonable time after said transfer, stating the name and address of such transferee or assignee and identifying the securities with respect to which such registration rights are being assigned; and provided further that the registration rights granted by Superior in Section 2 may only be transferred to transferees who meet the following criteria: such transferee is (i) a holder of 100,000 shares of the Registrable Securities before giving effect to the transfer, (ii) a family limited partnership, trust or similar entity formed solely for the benefit of the Holder, for such Holder's spouse, or their children (any such entity, a "Holder's Trust"), PROVIDED that such Holder acts as sole general partner, trustee, managing member or in such other unilaterally authoritative capacity as is applicable and retains the sole power to direct voting and disposition of such Registrable Securities, and PROVIDED, FURTHER, that any such Holder's Trust shall agree in a writing in form and substance reasonably satisfactory to Superior to be bound and shall become bound by the terms of this Agreement, or (iii) an Affiliate of a Holder.

(d) WAIVERS AND AMENDMENTS; NONCONTRACTUAL REMEDIES; PRESERVATION OF REMEDIES. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by Superior and Shareholders holding two-thirds or more of the Registrable Securities in the aggregate or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising a right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude a further exercise thereof or the exercise of any other such right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity. The rights and remedies of any party based upon, arising out of or otherwise in respect of any breach of any provision of this Agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts upon which any claim of any such breach is based may also be the subject matter of any other provision of this Agreement (or of any other Agreement between the parties) as to which there is no breach.

(e) SEVERABILITY. If any provision of this Agreement or the applicability of any such provision to a person or circumstances shall be determined by any court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement or the application of such provision to Persons or circumstances other than those for which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision of this Agreement shall be valid and shall be enforced to the fullest extent permitted by law. To the extent permitted by applicable law each party hereto hereby waives any provision or provisions of law which would otherwise render any provision of this Agreement invalid, illegal or unenforceable in any respect.

(f) COUNTERPARTS. This Agreement may be executed by the parties hereto in separate counterparts and when so executed shall constitute one agreement, notwithstanding that all parties are not signatories to the same counterpart.

(g) GOVERNING LAW. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware applicable to agreements made and to be performed entirely within such state.

(h) SUCCESSORS AND ASSIGNS. Subject to Section 5(c), this

Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of the parties hereto.

(i) REGISTRATION RIGHTS AGREEMENTS. Without the prior written consent of one or more Shareholders holding two-thirds or more of the Registrable Securities in the aggregate, Superior will neither enter into any new registration rights agreements that conflict with the terms of this Agreement nor permit the exercise of any other registration rights in a manner that conflicts with the terms of the registration rights granted hereunder.

IN WITNESS WHEREOF, this Agreement has been executed as of the date the First above written.

Addresses: SUPERIOR ENERGY SERVICES, INC.

1105 Peters Road
Harvey, Louisiana 70058
Attn: Terence E. Hall
Fax: 504-362-1818

By: /S/ TERENCE E. HALL
Terence E. Hall
President

SHAREHOLDERS:

GENERAL ELECTRIC CAPITAL CORPORATION

105 LaSalle Street, STE 2700
Chicago, IL 60603

By: /S/ GLENN P. BARTLEY
Name: GLENN P. BARTLEY
Title: DULY AUTHORIZED SIGNATORY

DLJ INVESTMENT PARTNERS, L.P.

By: DLJ Investment Partners, Inc.,
its Managing General Partner

277 Park Avenue
New York, New York 10172
212-892-3000

By: /S/ IVY DODES
Name: IVY DODES
Title: VICE PRESIDENT

DLJ INVESTMENT FUNDING, INC.

277 Park Avenue
New York, New York 10172
212-892-3000

By: /S/ IVY DODES
Name: IVY DODES
Title: VICE PRESIDENT

DLJ ESC II L.P.

By: DLJ LBO Plans Management Corporation

277 Park Avenue
New York, New York 10172
212-892-3000

By: /S/ IVY DODES
Name: IVY DODES
Title: VICE PRESIDENT

HIBERNIA CAPITAL CORPORATION

313 Carondelet Street,
Suite 1300
New Orleans, LA 70130
504-533-5911

By: /S/ THOMAS B. HOYT
Name: THOMAS B. HOYT
Title: PRESIDENT

HIBERNIA CORPORATION

225 Baronne
New Orleans, LA 70130
504-533-5806

By: /S/ SCOTT P. HOWARD
Name: SCOTT P. HOWARD
Title: SENIOR EXECUTIVE VICE PRESIDENT

KOTTS CAPITAL HOLDINGS, LIMITED
PARTNERSHIP

5 Post Oak Avenue
Suite 2250
Houston, TX 77027

By: /S/
Name:
Title:

/S/ KEITH ACKER
Keith Acker

312 Sawgrass Lane
Broussard, LA 70518
318-856-4459

28 Leeward Lane
Nassau Bay, TX 77058

/S/ JOHN R. GUNN
John R. Gunn

3 Whittier Dr.
Friendswood, TX 77546

/S/ ROBERT J. GUNN
Robert J. Gunn

P.O. Box 291
Friendswood, TX 77549

/S/ JOHN F. KERKER
John F. Kerker

James Holleman

Anthony Alaimo

Dale Mitchell

Leona Henderson

Pat Bankston

Pat Richard

Bobby Lott

STOCKHOLDERS' AGREEMENT

Among

SUPERIOR ENERGY SERVICES, INC.

And

FIRST RESERVE FUND VII, LIMITED PARTNERSHIP
FIRST RESERVE FUND VIII, LIMITED PARTNERSHIP

July 15, 1999

STOCKHOLDERS' AGREEMENT

This Stockholders' Agreement (this "Agreement") is entered into this 15th day of July, 1999, is by and among Superior Energy Services, Inc., a Delaware corporation ("Superior"), and First Reserve Fund VII, Limited Partnership, a Delaware limited partnership, and First Reserve Fund VIII, Limited Partnership, a Delaware limited partnership (each a "First Reserve Fund" and, collectively, the "First Reserve Funds").

W I T N E S S E T H

WHEREAS, pursuant to that certain Agreement and Plan of Merger (the "Merger Agreement") dated as of April 20, 1999 entered into by and among, INTER ALIA, the First Reserve Funds and Superior, each of the First Reserve Funds received upon consummation of the Merger contemplated by the Merger Agreement, shares of Superior Common Stock in exchange for the shares of common stock of Cardinal Holding Corp. owned by it; and

WHEREAS, the parties hereto desire to set forth certain additional agreements among them relating to the First Reserve Group's (as defined below) acquisition and ownership of Superior Securities.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

ARTICLE 1
Defined Terms

Section 1.1 DEFINED TERMS. The following capitalized terms when used in this Agreement shall have the following meanings:

"Affiliate" shall have the respective meanings assigned thereto in Rule 405 as presently promulgated under the Securities Act.

"beneficial ownership" and "group" shall have the respective meanings assigned thereto in Rules 13d-3 and 13d-5 as presently promulgated under the Exchange Act.

"Board" means the Board of Directors of Superior.

"Common Stock" means the common stock, \$.001 par value per share, of Superior.

"Director" means any member of the Board.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"First Reserve Group" means, collectively, the First Reserve Funds and

their respective Affiliates; provided, however, that a Person shall not be deemed a member of the First Reserve Group if the only reason that such Person would be deemed an Affiliate of the First Reserve Funds is because it is (a) a limited partner of either or both of the First Reserve Funds, (b) an operating company in which either or both of the First Reserve Funds (and/or any other fund or funds similar to the First Reserve Funds that is controlled by, controlling or under common control with the First Reserve Funds) have an investment, but in which the First Reserve Funds and such other funds do not, in the aggregate (i) have at least a majority of the voting power (defined in a manner consistent with the definition of Voting Power set forth herein with respect to Superior) of the securities of such operating company, or (ii) the contractual right to designate at least a majority of the members of the board of directors (or similar governing body) of such operating company, or (c) an Affiliate of an operating company described in clause (b) who is not otherwise an Affiliate of the First Reserve Group.

"Fund Directors" shall have the meaning assigned to it in Section 2.1(b) hereof.

"Independent Director" means, at any time, any Director who both (a) would qualify as an "independent director" within the meaning given to such term under the rules of the principal securities exchange or market on which the Common Stock is then listed or admitted for trading and (b) is not an Affiliate of either Superior or the First Reserve Funds (other than solely as the result of being a director of Superior).

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other entity of whatever nature.

"Registration Rights Agreement" means that certain Registration Rights Agreement dated the date hereof among Superior and the First Reserve Funds, as amended, modified or supplemented from time to time.

"Securities Act" means the Securities Act of 1933, as amended.

"Superior Securities" means, collectively, the Common Stock and any class or series of Superior's preferred stock, and any other securities, warrants or options or rights of any nature (whether or not issued by Superior) that are convertible into, exchangeable for, or exercisable for the purchase of, or otherwise give the holder thereof any rights in respect of common stock, or any class or series of Superior preferred stock that is entitled to vote generally for the election of directors or otherwise.

"Termination Date" means July 15, 2009.

"Voting Power" means, at, any measurement date, the total number of votes that could have been cast in an election of directors of Superior had a meeting of the stockholders of Superior been duly held based upon a record date as of the measurement date if all Superior Securities then outstanding and entitled to vote at such meeting were present and voted to the fullest extent possible at such meeting.

Section 1.2 OTHER DEFINITIONAL PROVISIONS. The words "hereof" "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section references are to this Agreement unless otherwise specified. The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

ARTICLE 2 Board of Directors; Voting

Section 2.1 ELECTION OF DIRECTORS. Each of the First Reserve Funds hereby agrees that it shall vote all of the Superior Securities over which it has voting control and shall take, and cause all other members of the First Reserve Group to take, all other necessary or desirable actions within its control (whether in its capacity as a stockholder or otherwise) in order to cause the following:

- (a) The Board shall at all times consist of six Directors.
- (b) The election to the Board of: (i) two designees of the First Reserve Funds (the designees of the First Reserve Funds are collectively referred to as the "Fund Directors"); (ii) two designees of the First Reserve Funds who are Independent Directors and acceptable to the Board as evidenced by a majority vote of the Board; (iii) Superior's Chief Executive Officer; and (iv) subject to the provisions of Section 2.1(c), such number of Independent Directors as may be designated from time to time by a majority vote of the Board in order to complete the Board and fill any vacancies as contemplated by this Section 2.1(b); provided, however, that if at any time (A) the First Reserve Funds cease to beneficially own, in the aggregate, at least 15% of the Voting Power, the First Reserve Funds shall cease to have the right to designate any Independent Directors pursuant to Section 2.1(b)(ii) and (B) the First Reserve Funds cease to beneficially own, in the aggregate, at least 5% of the Voting

Power, unless the Board otherwise consents, all of the Fund Directors shall immediately resign.

- (c) The reelection to the Board at the first annual meeting of the stockholders that is held after the date of this Agreement of one incumbent Director to be designated by Superior's Chief Executive Officer, which Director will serve in lieu of one of the Independent Directors to be elected pursuant to Section 2.1(b)(iv) until the termination of such Director's term at the second annual meeting of Superior's stockholders.
- (d) In the event that any Director designated pursuant to Section 2.1(b) for any reason ceases to serve as a member of the Board during his term of office, the Person or Persons who previously designated such Director pursuant to Section 2.1(b) shall be entitled to designate a successor Director to fill the vacancy created thereby on the terms and subject to the conditions of this Section 2.1. If and to the extent that the remaining members of the Board are entitled to fill vacancies on the Board, upon the occurrence of any vacancy, the Board will promptly take any actions necessary to fill such vacancies in accordance with the foregoing provision.
- (e) The First Reserve Funds shall cause their designees on the Board to take all necessary or appropriate action to assist in the nomination for election as Directors of such other nominees as may be selected in accordance with Section 2.1(b), and the First Reserve Funds shall vote, and cause all Superior Securities beneficially owned by any member of the First Reserve Group to be voted, for the election of such other nominees as well as for the election of all nominees of the First Reserve Group designated by them pursuant to Section 2.1(b).

Section 2.2 SUPERIOR ACTIONS. Superior hereby agrees to take all necessary or appropriate action to assist in the nomination for election as Directors the person or persons designated pursuant to the provisions of Section 2.1. Superior hereby agrees not to take any action inconsistent with the provisions of Section 2.1. Superior shall vote all management proxies in favor of such nominees, except for such proxies that specifically indicate to the contrary. Superior's Board shall recommend that its stockholders vote in favor of such nominees, and shall use reasonable best efforts to solicit from its stockholders proxies voted in favor of such nominees.

ARTICLE 3 Acquisition and Sale of Superior Securities

Section 3.1 SUPERIOR SECURITIES. The First Reserve Funds covenant and agree with Superior that except for the Superior Securities acquired pursuant to the Merger Agreement, no member of the First Reserve Group shall, directly or indirectly, acquire any Superior Securities, if the effect of such acquisition, agreement or other action would be to increase the aggregate beneficial ownership of Superior Securities by the First Reserve Group (without considering the Superior Securities acquired by the First Reserve Group pursuant to the Merger Agreement and any Superior Securities issued pursuant to a stock split, stock dividend or recapitalization with respect to such Superior Securities) to 10% or more of either the Voting Power or the number of outstanding shares of any class or series of Superior Securities.

Section 3.2 DISTRIBUTION OF SUPERIOR SECURITIES. Each of the First Reserve Funds covenants that it shall not, and that it shall cause each other member of the First Reserve Group not to, directly or indirectly, sell, transfer any beneficial interest in, or beneficial ownership of, pledge, hypothecate or otherwise dispose of any Superior Securities, except by conversion, exchange or exercise of such Superior Securities pursuant to their terms in a manner not otherwise in violation of Section 3.1 or pursuant to:

(a) a bona fide pledge of or the granting of a security interest or any other lien or encumbrance in such Superior Securities to a lender that is not a member of the First Reserve Group to secure a bona fide loan for money borrowed made to one or more members of the First Reserve Group, the foreclosure of such pledge or security interest or any other lien or encumbrance that may be placed involuntarily upon any Superior Securities, or the subsequent sale or other disposition of such Superior Securities by such lender or its agent;

(b) a transfer, assignment, sale or disposition of such Superior Securities to another member of the First Reserve Group that has signed this Agreement;

(c) a distribution of Superior Securities to any partner of a First Reserve Fund; provided that any distributee that is a member of the First Reserve Group has signed this Agreement; and provided, further that any arrangements coordinated or initiated by or on behalf of a First Reserve Fund to assist its limited partners in the sale of Superior Securities distributed to them must comply with the provisions of this Section 3.2;

(d) sales in public offerings registered under the Securities

Act;

(e) sales effected in compliance with the provisions of Rule 144 under the Securities Act;

(f) other privately negotiated sales of Superior Securities;

(g) upon consummation of or otherwise in connection with a business combination or similar transaction involving Superior that is approved by the Board; or

(h) sales provided for in Section 3.6.

Notwithstanding anything to the contrary in this Section 3.2, in effecting any sale, transfer of any beneficial interest in or other disposition of Superior Securities pursuant to Sections 3.2 (c) and (f), above, the members of the First Reserve Group selling, transferring or disposing such Superior Securities shall, unless the Board consents otherwise, use their reasonable best efforts to refrain from knowingly selling, transferring or disposing of such number of Superior Securities as represent either the right to acquire or ownership of 5% or more of the Voting Power to any one Person or group of Persons.

Section 3.3 PROXY SOLICITATIONS. As a stockholder, the First Reserve Group shall vote or cause to be voted all Superior Securities of which any member of the First Reserve Group is the beneficial owner with respect to each matter submitted to Superior's stockholders providing for, involving, expected to facilitate or that could reasonably be expected to result in a business combination or other change in control of Superior that has not been approved by the Board (including without limitation the election or removal of one or more Superior directors or one or more nominees for director proposed by the Board), in the manner recommended by the Board.

Section 3.4 GROUPS. Each of the First Reserve Funds covenants that it shall not, and that no other member of the First Reserve Group shall, join a partnership, limited partnership, syndicate or other group, or otherwise act in concert with any other Person, for the purpose of acquiring, holding, voting or disposing of any Superior Securities, other than the First Reserve Group itself.

Section 3.5 TAKEOVER OFFERS. Each of the First Reserve Funds covenants that it shall not, and that no other member of the First Reserve Group shall, directly or indirectly advise, assist, act as a financing source for or otherwise invest in any other Person in connection with a transaction or group of transactions that would result in a change of control of Superior (as such term is defined in Superior's 1999 Stock Incentive Plan), publicly disclose any intention, plan or arrangement inconsistent with the foregoing, or initiate, induce or attempt to induce any other Person to initiate any proposal that can reasonably be expected to result in a change of control of Superior. Subject to compliance with this Section 3.5, on and after the eleventh business day after commencement of a tender or exchange offer made by a Person who is not a member of the First Reserve Group for outstanding Superior Securities (a "Qualifying Offer"), any member of the First Reserve Group may tender or exchange any Superior Securities beneficially owned by it pursuant to such Qualifying Offer, provided the Qualifying Offer shall have been approved, or not opposed, by the Board. If a Qualifying Offer is opposed by the Board, then, from and after the eleventh business day after commencement of such Qualifying Offer, any member of the First Reserve Group may tender or exchange shares of Superior Securities pursuant to such Qualifying Offer only if (i) no tender or exchange of, or indication of an intention to tender or exchange, Superior Securities is made by any member of the First Reserve Group earlier than 24 hours prior to the expiration of any time after which Superior Securities tendered may be treated less favorably than other Superior Securities tendered or exchanged prior thereto, and (ii) a binding agreement is reached with the bidder or offeror prior to any tender or exchange specifying that only such number of Superior Securities submitted for tender or exchange shall be accepted by the bidder or offeror as are equal to (A) the percentage of such Superior Securities not beneficially owned by the First Reserve Group that have been tendered or exchanged, multiplied by (B) the total number of such Superior Securities beneficially owned by the member of the First Reserve Group. Notwithstanding the foregoing, the provisions of this Section 3.5 shall terminate upon the earlier of the fifth anniversary of this Agreement or such time as the First Reserve Group beneficially owns less than 15% of the Voting Power.

Section 3.6 LIMITATION ON COVENANTS. Notwithstanding any provision to the contrary in this Agreement, during any period that any person designated by the First Reserve Funds to serve as a Director in accordance with the provisions of Section 2.1(b) is not serving as a Director as a result of the failure of Superior or the Board to comply with the terms of this Agreement, or if any such designee is not elected by the stockholders (and Section 2.1(b) is complied with), then the covenants set forth in this Article 3 shall cease to be effective during such period; provided, however, that if a person designated by the First Reserve Funds ceases to be a Director by reason of death or resignation, then the provisions of this Section 3.6 shall not apply if the Board appoints First Reserve Funds' designated replacement to fill an such vacancy within 15 business days after Superior receives notice of such designation. The

provisions of this Section 3.6 shall be in addition to any other remedies that the First Reserve Funds may have in connection with a breach of the provisions of Article 2 hereof.

ARTICLE 4
Legend And Stop Transfer Order

Section 4.1 LEGEND AND STOP TRANSFER ORDER. To assist in effectuating the provisions of this Agreement, the First Reserve Funds hereby consent: (a) to the placement, on certificates issued with respect to the shares of Common Stock issued to them pursuant to the Merger Agreement or otherwise promptly after any Superior Securities become subject to the provisions of this Agreement, of the following legend on all certificates representing ownership of Superior Securities owned of record by any member of the First Reserve Group or by any Person where a member of the First Reserve Group is the beneficial owner thereof, until such shares are sold, transferred or disposed in a manner permitted hereby to a Person who is not then a member of the First Reserve Group:

The shares represented by this certificate are subject to the provisions of an Agreement among, inter alia, Superior Energy Services, Inc. and First Reserve Fund VII, Limited Partnership, and First Reserve Fund VIII, Limited Partnership, and may not be voted, sold, transferred, pledged, hypothecated or otherwise disposed of except in accordance therewith. Copies of the Agreement are on file at the office of the Corporate Secretary of Superior Energy Services, Inc.

;and (b) to the entry of stop transfer orders with the transfer agent or agents of Superior Securities against the transfer of Superior Securities except in compliance with the requirements of this Agreement, or if Superior acts as its own transfer agent with respect to any Superior Securities, to the refusal by Superior to transfer any such securities except in compliance with the requirements of this Agreement. Superior agrees to remove promptly all legends and stop transfer orders with respect to the transfer of Superior Securities being made to a Person who is not then a member of the First Reserve Group in compliance with the provisions of this Agreement.

ARTICLE 5
Miscellaneous

Section 5.1 TERMINATION. Except as provided in this Section 5.1, the respective covenants and agreements of the First Reserve Funds and Superior contained in this Agreement will continue in full force and effect until the earliest to occur of either of the following: (i) the Termination Date, or (ii) the sale or other disposition in accordance with this Agreement by the First Reserve Group of such number of Superior Securities such that, solely as a result of such sale or other disposition, the First Reserve Group beneficially owns in the aggregate Superior Securities representing less than 5% of the Voting Power. Upon any termination of this Agreement pursuant to this Section 5.1 all of the obligations of Superior and the First Reserve Funds hereunder shall terminate.

Section 5.2 NOTICES. Any notice or other communication required or permitted hereunder shall be in writing or by telex, telephone or facsimile transmission with subsequent written confirmation, and may be personally served or sent by United States mail and shall be deemed to have been given upon receipt by the party notified. For purposes hereof, the addresses of the parties hereto (until notice of a change thereof is delivered as provided in this Section 5.2) shall be as set forth opposite each party's name on the signature page hereof.

Section 5.3 WAIVERS AND AMENDMENTS; NONCONTRACTUAL REMEDIES; PRESERVATION OF REMEDIES. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by Superior and the holders of a majority of the Superior Securities held by the First Reserve Funds or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising a right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude a further exercise thereof or the exercise of any other such right, power or privilege. The rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies that any party may otherwise have at law or in equity. The rights and remedies of any party based upon, arising out of or otherwise in respect of any breach of any provision of this Agreement shall in no way be limited by the fact that the act, omission, occurrence or other state of facts upon which any claim of any such breach is based may also be the subject matter of any other provision of this Agreement (or of any other agreement between the parties) as to which there is no breach.

Section 5.4 SEVERABILITY. If any provision of this Agreement or the applicability of any such provision to a person or circumstances shall be determined by any court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement or the application of such provision to persons or circumstances other than those for which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision of this Agreement shall be valid and

shall be enforced to the fullest extent permitted by law. To the extent permitted by applicable law each party hereto hereby waives any provision or provisions of law which would otherwise render any provision of this Agreement invalid, illegal or unenforceable in any respect.

Section 5.5 COUNTERPARTS. This Agreement may be executed by the parties hereto in separate counterparts and when so executed shall constitute one Agreement, notwithstanding that all parties are not signatories to the same counterpart.

Section 5.6 GOVERNING LAW. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware applicable to agreements made and to be performed entirely within such state, without giving effect to the conflict of laws principles of such state.

Section 5.7 SUCCESSORS AND ASSIGNS. Subject to Section 4, this Agreement shall be binding upon and inure to the benefit of and be enforceable by the successors and assigns of the parties hereto.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written.

Address: SUPERIOR ENERGY SERVICES, INC.

1105 Peters Road
Harvey, Louisiana 70058
Attn: Terence E. Hall
Fax: 504-362-1818

By: /S/ TERENCE E. HALL
Terence E. Hall
President

Address:
600 Travis, Suite 6000
Houston, Texas 77002
Attn: Ben A. Guill
Fax: 713-224-0771
Attn: Ben A. Guill

FIRST RESERVE FUND VII, LIMITED
PARTNERSHIP

By: First Reserve GP VII, L.P., its
General Partner

By: First Reserve Corporation, its
General Partner

By: /S/ BEN A. GUILL
Ben A. Guill
President

FIRST RESERVE FUND VIII, LIMITED
PARTNERSHIP

By: First Reserve GP VIII, L.P., its
General Partner

By: First Reserve Corporation, its
General Partner

By: /S/ BEN A. GUILL
Ben A. Guill
President

CREDIT AGREEMENT

Dated as of July 15, 1999

among

THE BORROWERS SIGNATORY HERETO
FROM TIME TO TIME,

as Borrowers,

SUPERIOR ENERGY SERVICES, INC.,

THE LENDERS SIGNATORY HERETO
FROM TIME TO TIME,

as Lenders,

and

GENERAL ELECTRIC CAPITAL CORPORATION,

as Administrative Agent and Lender

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CREDIT AGREEMENT, dated as of July 15, 1999, among the borrowers signatory hereto from time to time ("BORROWERS"); SUPERIOR ENERGY SERVICES, INC., a Delaware corporation ("HOLDINGS"); GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation (in its individual capacity, "GE CAPITAL"), for itself, as Lender, and as Administrative Agent for Lenders; and the Lenders signatory hereto from time to time.

RECITALS

WHEREAS, Borrowers desire that Lenders extend revolving and term credit facilities to Borrowers of up to One Hundred Fifty-Two Million Dollars (\$152,000,000) in the aggregate for the purpose of refinancing certain indebtedness of Borrowers and to provide (a) working capital financing for Borrowers, and (b) funds for other general corporate purposes of Borrowers; and for these purposes, Lenders are willing to make certain loans and other extensions of credit to Borrowers of up to such amount upon the terms and conditions set forth herein; and

WHEREAS, Borrowers desire to have the ability to request Lenders to increase certain term facilities by up to Fourteen Million Dollars (\$14,000,000) to facilitate certain acquisitions.

WHEREAS, Borrowers are operated as an integrated enterprise, and each Borrower obtains value from the business of each other Borrower and will benefit from the extensions of credit by Lenders to each other Borrower hereunder.

WHEREAS, Borrowers desire to be jointly and severally liable to repay all revolving and term credit facilities extended by the Lenders and to be jointly and severally liable for all of the other obligations of Borrowers under the Loan Documents, and desire to secure all of their obligations under the Loan Documents by granting to Administrative Agent, for the benefit of Administrative Agent and Lenders, a security interest in and lien upon substantially all of their existing and after-acquired personal and real property within the terms and conditions of the Loan Documents and by pledging to Administrative Agent, for the benefit of Administrative Agent and Lenders, all of the capital stock of their Subsidiaries; and

WHEREAS, Holdings is willing to guaranty all of the obligations of Borrowers to Lenders under the Loan Documents and to pledge to Administrative Agent, for the benefit of Administrative Agent and Lenders, all of the capital stock of all of its Subsidiaries to secure such guaranty; and

WHEREAS, capitalized terms used in this Agreement shall have the meanings ascribed to them in ANNEX A. All Annexes, Disclosure Schedules, Exhibits and other attachments (collectively, "APPENDICES") hereto, or expressly identified to this Agreement, are incorporated herein by reference, and taken together, shall constitute but a single agreement. These Recitals shall be construed as part of the Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties hereto agree as follows:

1. AMOUNT AND TERMS OF CREDIT

1.1 CREDIT FACILITIES.

(a) REVOLVING CREDIT FACILITY.

(i) Subject to the terms and conditions hereof, each Revolving Lender agrees to make available from time to time until the Commitment Termination Date its Pro Rata Share of advances (each, a "REVOLVING CREDIT ADVANCE"). The Pro Rata Share of the Revolving Loan of any Revolving Lender shall not at any time exceed its separate Revolving Loan Commitment. The obligations of each Revolving Lender hereunder shall be several and not joint. The aggregate amount of Revolving Credit Advances outstanding shall not exceed at any time the lesser of (A) the Maximum Amount and (B) the Borrowing Base, in each case minus the sum of the Letter of Credit Obligations and the Swing Line Loan outstanding at such time ("BORROWING AVAILABILITY"). Until the Commitment Termination Date, Borrowers may from time to time borrow, repay and reborrow under this SECTION 1.1(a). Each Revolving Credit Advance shall be made on notice by Borrower Representative to the representative of Administrative Agent identified on SCHEDULE 1.1 at the address specified thereon. Those notices must be given no later than (1) 11:00 a.m. (Chicago time) on the Business Day of the proposed Revolving Credit Advance, in the case of an Index Rate Loan, or (2) 11:00 a.m. (Chicago time) on the date which is three (3) Business Days prior to the proposed Revolving Credit Advance, in the case of a LIBOR Loan. Each such notice (a "NOTICE OF REVOLVING CREDIT ADVANCE") must be given in writing (by telecopy or overnight courier) substantially in the form of EXHIBIT 1.1(a)(i), and shall

include the information required in such Exhibit and such other information as may be reasonably required by Administrative Agent. If Borrowers desire to have the Revolving Credit Advances bear interest by reference to a LIBOR Rate, they must comply with SECTION 1.5(e).

(ii) Borrowers shall execute and deliver to each Revolving Lender a note to evidence the revolving loan commitment of that Revolving Lender. Each note shall be in the maximum principal amount of the Revolving Loan Commitment of the applicable Revolving Lender, dated the Closing Date and substantially in the form of Exhibit 1.1(a)(ii) (Each a "Revolving Note" and, collectively, the "Revolving Notes"). Each Revolving Note shall represent the obligation of Borrowers to pay the Amount of each Revolving Lender's Revolving Loan Commitment or, if less, the applicable Revolving Lender's Pro Rata Share of the aggregate unpaid principal amount of all Revolving Credit Advances to Borrowers together with interest thereon as prescribed in Section 1.5. The entire unpaid balance of the Revolving Loan and all other non-contingent Obligations (other than Term Loan B, unless otherwise herein expressly provided) shall be immediately due and payable in full in immediately available funds on the Commitment Termination Date.

(iii) At the request of Borrower Representative, in its discretion Administrative Agent may (but shall have absolutely no obligation to), make Revolving Credit Advances to Borrowers on behalf of Revolving Lenders in amounts which cause the outstanding balance of the aggregate Revolving Loan to exceed the Borrowing Base (minus the Swing Line Loan) (any such excess Revolving Credit Advances are herein referred to collectively as "OVERADVANCES"), and no such event or occurrence shall cause or constitute a waiver by Administrative Agent or Lenders of any Default or Event of Default that may result therefrom or of Administrative Agent's, the Swing Line Lender's or Revolving Lenders' right to refuse to make any further Overadvances, Swing Line Advances or Revolving Credit Advances, or incur any Letter of Credit Obligations, as the case may be, at any time that an Overadvance exists or would result therefrom. In addition, Overadvances may be made even if the conditions to lending set forth in SECTION 2 have not been met. All Overadvances shall constitute Index Rate Loans, shall bear interest at the Default Rate and shall be payable on demand. Except as otherwise provided in SECTION 1.11(B), the authority of Administrative Agent to make Overadvances is limited to an aggregate amount not to exceed \$1,000,000 at any time, shall not cause the Revolving Loan to exceed the Maximum Amount, and may be revoked prospectively by a written notice to Administrative Agent signed by Requisite Revolving Lenders.

(b)

(i) TERM LOAN A. Subject to the terms and conditions hereof, each Term A Lender agrees to make a term loan on the Closing Date to Borrowers (in aggregate, as may be increased as described below, "TERM LOAN A") in the original principal amount of its Term Loan A Commitment. After the Closing Date, Borrowers may request Lenders to increase the amount of Term Loan A and Term Loan B (defined below) pro rata by up to Fourteen Million Dollars (\$14,000,000) to facilitate Permitted Acquisitions. Such increase shall become effective only with the consent of all of the Lenders. The obligations of each Term A Lender hereunder shall be several and not joint. Term Loan A shall be evidenced by promissory notes substantially in the form of EXHIBIT 1.1(b)(i) (each a "TERM A NOTE" and collectively the "TERM A NOTES"), and Borrowers shall execute and deliver a Term A Note to each Term A Lender on the Closing Date. Each Term A Note shall represent the obligation of Borrowers to pay the amount of the applicable Term A Lender's Term Loan A Commitment, together with interest thereon as prescribed in SECTION 1.5.

(ii) Borrowers shall pay the principal amount of the Term Loan A in twenty-four (24) consecutive quarterly installments on the last day of March, June, September and December of each year, commencing December 31, 1999, as follows (subject to pro rata adjustment should the amount of Term Loan A be increased after the Closing Date):

Payment Date	Installment Amount
December 31, 1999	\$250,000
March 31, 2000	\$250,000
June 30, 2000	\$250,000
September 30, 2000	\$250,000
December 31, 2000	\$500,000
March 31, 2001	\$500,000
June 30, 2001	\$500,000
September 30, 2001	\$500,000
December 31, 2001	\$750,000
March 31, 2002	\$750,000
June 30, 2002	\$750,000
September 30, 2002	\$750,000
December 31, 2002	\$1,000,000
March 31, 2003	\$1,000,000
June 30, 2003	\$1,000,000

September 30, 2003	\$1,000,000
December 31, 2003	\$1,250,000
March 31, 2004	\$1,250,000
June 30, 2004	\$1,250,000
September 30, 2004	\$1,250,000
December 31, 2004	\$1,250,000
March 31, 2005	\$1,250,000
June 30, 2005	\$1,250,000
September 30, 2005	\$1,250,000

Notwithstanding the foregoing, the aggregate outstanding principal balance of Term Loan A shall be due and payable in full in immediately available funds on the Commitment Termination Date, if not sooner paid in full.

(iii) Each payment of principal with respect to Term Loan A shall be paid to Administrative Agent for the ratable benefit of each Term A Lender, ratably in proportion to each such Term A Lender's respective Term Loan A Commitment.

(iv) TERM LOAN B. Subject to the terms and conditions hereof, each Term B Lender agrees to make a term loan on the Closing Date to Borrowers (in aggregate, as may be increased as described below, "TERM LOAN B") in the original principal amount of its Term Loan B Commitment. After the Closing Date, Borrowers may request Lenders to increase the amount of Term Loan B and Term Loan A pro rata by up to Fourteen Million Dollars (\$14,000,000) to facilitate Permitted Acquisitions. Such increase shall become effective only with the consent of all of the Lenders. The obligations of each Term B Lender hereunder shall be several and not joint. Term Loan B shall be evidenced by promissory notes substantially in the form of EXHIBIT 1.1(b)(iv) (each a "TERM B NOTE" and collectively the "TERM B NOTES"), and Borrowers shall execute and deliver a Term B Note to each Term B Lender. Each Term B Note shall represent the obligation of Borrowers to pay the amount of the applicable Term B Lender's Term Loan B Commitment, together with interest thereon as prescribed in SECTION 1.5.

(v) Borrowers shall pay the principal amount of the Term Loan B in twenty-six (26) quarterly installments, as follows (subject to pro rata adjustment should the amount of Term Loan B be increased after the Closing Date):

Payment Date	Installment Amount
December 31, 1999	\$250,000
March 31, 2000	\$250,000
June 30, 2000	\$250,000
September 30, 2000	\$250,000
December 31, 2000	\$250,000
March 31, 2001	\$250,000
June 30, 2001	\$250,000
September 30, 2001	\$250,000
December 31, 2001	\$250,000
March 31, 2002	\$250,000
June 30, 2002	\$250,000
September 30, 2002	\$250,000
December 31, 2002	\$250,000
March 31, 2003	\$250,000
June 30, 2003	\$250,000
September 30, 2003	\$250,000
December 31, 2003	\$250,000
March 31, 2004	\$250,000
June 30, 2004	\$250,000
September 30, 2004	\$250,000
December 31, 2004	\$250,000
March 31, 2005	\$250,000
June 30, 2005	\$250,000
September 30, 2005	\$250,000
December 31, 2005	\$0
March 31, 2006	\$42,000,000
June 30, 2006	\$42,000,000

Notwithstanding the foregoing, if the Commitment Termination Date occurs prior to September 30, 2005, the aggregate outstanding principal balance of Term Loan B shall be due and payable in full in immediately available funds on the Commitment Termination Date, if not sooner paid in full.

(vi) Each payment of principal with respect to Term Loan B shall be paid to Administrative Agent for the ratable benefit of each

Term B Lender, ratably in proportion to each such Term B Lender's respective Term Loan B Commitment.

(vii)CONTINGENT PAYMENT LOAN. Subject to the terms and conditions hereof, each Contingent Payment Lender agrees to make its Pro Rata Share of advances (each, a "CONTINGENT PAYMENT ADVANCE"). The Pro Rata Share of the Contingent Payment Loan of any Contingent Payment Lender shall not exceed at any time its separate Contingent Payment Loan Commitment. The obligations of each Contingent Payment Lender hereunder shall be several and not joint. The aggregate amount of Contingent Payment Advances shall not exceed at any time the Contingent Payment Loan Commitment. Until the Contingent Payment Loan Commitment Termination Date, Borrowers may from time to time borrow under this Section 1.1(a)(vii). Each Contingent Payment Advance shall be made on notice by Borrower Representative to the representative of Administrative Agent identified on SCHEDULE 1.1 at the address specified thereon. Each such notice must be given no later than 11:00 a.m. (Chicago time) on the date which is three (3) Business Days prior to the proposed Contingent Payment Advance. Each such notice (a "NOTICE OF CONTINGENT PAYMENT LOAN DRAWDOWN REQUEST") must be given in writing (by telecopy or overnight courier) substantially in the form of EXHIBIT 1.1(b)(vii)(x) and shall include the information required in such Exhibit and such other information as may reasonably be required by Administrative Agent. The Contingent Payment Loan shall be evidenced by promissory notes substantially in the form of EXHIBIT 1.1(b)(vii) (each a "CONTINGENT PAYMENT NOTE" and collectively the "CONTINGENT PAYMENT NOTES"), and Borrowers shall execute and deliver a Contingent Payment Note to each Contingent Payment Lender on the date of the initial Contingent Payment Advance. Each Contingent Payment Note shall represent the obligation of Borrowers to pay the amount of the applicable Contingent Payment Lender's Contingent Payment Loan Commitment, together with interest thereon as prescribed in SECTION 1.5 and shall be in the amount of such Contingent Payment Lender's Contingent Payment Commitment. The portion of the Contingent Payment Facility unfunded by the Contingent Payment Loan Commitment Termination Date shall be cancelled.

(viii)Borrowers shall pay the principal amount of each Contingent Payment Advance in equal quarterly installments on the last day of each of March, June, September and December, commencing on the first such date after the date of such Contingent Payment Advance, in an annual amount equal to 15% of the original amount of such Contingent Payment Advance, with the balance to be paid in full on the Commitment Termination Date.

Notwithstanding the foregoing, the aggregate outstanding principal balance of Contingent Payment Loan shall be due and payable in full in immediately available funds on the Commitment Termination Date, if not sooner paid in full.

(ix)Each payment of principal with respect to Contingent Payment Loan shall be paid to Administrative Agent for the ratable benefit of each Contingent Payment Lender, ratably in proportion to each such Contingent Payment Lender's respective Contingent Payment Loan Commitment.

(c) SWING LINE FACILITY.

(i)Administrative Agent shall notify the Swing Line Lender upon Administrative Agent's receipt of any Notice of Revolving Credit Advance. Subject to the terms and conditions hereof, the Swing Line Lender may, in its discretion, make available from time to time until the Commitment Termination Date advances (each, a "SWING LINE ADVANCE") in accordance with any such notice. The aggregate amount of Swing Line Advances outstanding shall not exceed the lesser of (A) the Swing Line Commitment and (B) the Borrowing Base less the outstanding balance of the Revolving Loan at such time ("SWING LINE AVAILABILITY"). Until the Commitment Termination Date, Borrowers may from time to time borrow, repay and reborrow under this SECTION 1.1(c). Each Swing Line Advance shall be made pursuant to a Notice of Revolving Credit Advance delivered by Borrower Representative to Administrative Agent in accordance with SECTION 1.1(a). Those notices must be given no later than 12:00 noon (Chicago time) on the Business Day of the proposed Swing Line Advance. Notwithstanding any other provision of this Agreement or the other Loan Documents, the Swing Line Loan shall constitute an Index Rate Loan. Borrowers shall repay the aggregate outstanding principal amount of the Swing Line Loan upon demand therefor by Administrative Agent and in any case with the proceeds of any Revolving Credit Advance made thereafter.

(ii)Borrowers shall execute and deliver to the Swing Line Lender a promissory note to evidence the Swing Line Commitment. Such note shall be in the maximum principal amount of the Swing Line Commitment of the Swing Line Lender, dated the Closing Date and substantially in the form of EXHIBIT 1.1(c)(ii) (the "SWING LINE NOTE"). The Swing Line Note shall represent the obligation of Borrowers to pay the amount of the Swing Line Commitment or, if less, the aggregate unpaid principal amount of all Swing Line Advances made to Borrowers together with interest thereon as prescribed in SECTION 1.5. The entire unpaid balance of the Swing Line Loan shall be immediately due and payable in full in immediately available funds on the Commitment Termination Date if not sooner paid in full.

(iii)REFUNDING OF SWING LINE LOANS. The Swing Line Lender, at any time and from time to time in its sole and absolute discretion, may on behalf of Borrowers (and each Borrower hereby irrevocably authorizes the Swing Line Lender to so act on its behalf) request each Revolving Lender (including the Swing Line Lender) to make a Revolving Credit Advance to Borrowers (which shall be an Index Rate Loan) in an amount equal to such Revolving Lender's Pro Rata Share of the principal amount of the Swing Line Loan (the "REFUNDED SWING LINE LOAN") outstanding on the date such notice is given. Unless any of the events described in SECTIONS 8.1(g), 8.1(h) or 8.1(i) shall have occurred (in which event the procedures of SECTION 1.1(c)(iv) shall apply) and regardless of whether the conditions precedent set forth in this Agreement to the making of a Revolving Credit Advance are then satisfied, each Revolving Lender shall disburse directly to Administrative Agent, its Pro Rata Share of a Revolving Credit Advance on behalf of the Swing Line Lender, prior to 2:00 p.m. (Chicago time), in immediately available funds on the Business Day next succeeding the date such notice is given. The proceeds of such Revolving Credit Advances shall be immediately paid to the Swing Line Lender and applied to repay the Refunded Swing Line Loan.

(iv)PARTICIPATION IN SWING LINE LOANS. If, prior to refunding a Swing Line Loan with a Revolving Credit Advance pursuant to SECTION 1.1(c)(iii), one of the events described in SECTIONS 8.1(g), 8.1(h) or 8.1(i) shall have occurred, then, subject to the provisions of SECTION 1.1(c)(v) below, each Revolving Lender will, on the date such Revolving Credit Advance was to have been made for the benefit of Borrowers, purchase from the Swing Line Lender an undivided participation interest in the Swing Line Loan in an amount equal to its Pro Rata Share of such Swing Line Loan. Upon request, each Revolving Lender will promptly transfer to the Swing Line Lender, in immediately available funds, the amount of its participation.

(v)REVOLVING LENDERS' OBLIGATIONS UNCONDITIONAL. Each Revolving Lender's obligation to make Revolving Credit Advances in accordance with SECTION 1.1(c)(iii) and to purchase participating interests in accordance with SECTION 1.1(c)(iv) shall be absolute and unconditional and shall not be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Revolving Lender may have against the Swing Line Lender, any Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of any Default or Event of Default; (C) any inability of Borrowers to satisfy the conditions precedent to borrowing set forth in this Agreement on the date upon which such Refunded Swing Line Loan is to be made or participating interest is to be purchased or (D) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If any Revolving Lender does not make available to Administrative Agent or the Swing Line Lender, as applicable, the amount required pursuant to SECTION 1.1(c)(iii) or 1.1(c)(iv), as the case may be, the Swing Line Lender shall be entitled to recover such amount on demand from such Revolving Lender, together with interest thereon for each day from the date of non-payment until such amount is paid in full at the Federal Funds Rate for the first two Business Days and at the Index Rate thereafter.

(d)RELIANCE ON NOTICES. Administrative Agent shall be entitled to rely upon, and shall be fully protected in relying upon, any Notice of Revolving Credit Advance, Notice of Contingent Payment Loan Drawdown Request, Notice of Conversion/Continuation or similar notice believed by Administrative Agent to be genuine. Administrative Agent may assume that each Person executing and delivering such a notice was duly authorized, unless the responsible individual acting thereon for Administrative Agent has actual knowledge to the contrary.

1.2 LETTERS OF CREDIT. Subject to and in accordance with the terms and conditions contained herein and in ANNEX B, Borrowers shall have the right to request, and Revolving Lenders agree to incur, or purchase participations in, Letter of Credit Obligations in respect of Borrowers and Borrowers agree to pay and perform its obligations as provided in ANNEX B.

1.3 PREPAYMENTS.

(a) VOLUNTARY PREPAYMENTS. Borrowers may at any time on at least three (3) days' prior written notice in the case of LIBOR Loans and two (2) days' prior written notice in the case of Index Rate Loans, to Administrative Agent (i) voluntarily prepay all or part of the Term Loans, pro rata, in accordance with this SECTION 1.3(a), and/or (ii) voluntarily prepay all or part of the Revolving Loan and/or permanently reduce (but not terminate) the Revolving Loan Commitment; PROVIDED that (A) any such prepayments or reductions shall be in a minimum amount of \$500,000 and integral multiples of \$100,000 in excess of such amount, (B) the Revolving Loan Commitment shall not be reduced to an amount less than the greater of (x) \$5,000,000 and (y) the L/C Sublimit and (C) Borrowers shall pay to Administrative Agent in connection therewith the prepayment premiums set forth in SECTION 1.9(c), if applicable. Borrowers may at any time on at least three (3) days' prior written notice to Administrative Agent terminate the Revolving Loan Commitment, PROVIDED that upon such termination all Loans and other Obligations shall be immediately due and payable in full. Any such voluntary prepayment and any such reduction or termination of the Revolving Loan Commitment must

be accompanied by the payment of any LIBOR funding breakage costs in accordance with SECTION 1.13(b). Upon any such prepayment and reduction or termination of the Revolving Loan Commitment, Borrowers' right to request Revolving Credit Advances, or request that Letter of Credit Obligations be incurred on their behalf, or request Swing Line Advances, shall simultaneously be permanently reduced or terminated, as the case may be; PROVIDED that a permanent reduction of the Revolving Loan Commitment shall not require a corresponding pro rata reduction in the L/C Sublimit. Each partial prepayment of the Term Loans shall be applied pro rata across all of the Term Loans, based upon the amounts outstanding under each of the Term Loans, and shall reduce each unpaid installment of principal on each Term Loan pro rata. Borrowers may at any time upon at least three (3) days' prior written notice to Administrative Agent, terminate or permanently reduce the Contingent Payment Loan Commitment, PROVIDED that any such reductions shall be in a minimum amount of \$500,000 and integral multiples of \$100,000 in excess of such amount.

(b)MANDATORY PREPAYMENTS.

(i)If at any time the outstanding balance of the Revolving Loan exceeds the lesser of (A) the Maximum Amount and (B) the Borrowing Base, minus, in each case, the outstanding Swing Line Loan at such time, Borrowers shall immediately repay the aggregate outstanding Revolving Credit Advances to the extent required to eliminate such excess. If any such excess remains after repayment in full of the aggregate outstanding Revolving Credit Advances, Borrowers shall provide cash collateral for the Letter of Credit Obligations in the manner set forth in ANNEX B to the extent required to eliminate such excess. Notwithstanding the foregoing, any Overadvance made pursuant to SECTION 1.1(a)(iii) shall be repaid on demand.

(ii)Immediately upon receipt by any Credit Party of proceeds of any asset disposition (including condemnation proceeds, but excluding proceeds of asset dispositions permitted by SECTION 6.8) or any sale of Stock of any Subsidiary of any Credit Party, Borrowers shall prepay the Obligations in an amount equal to all such proceeds, net of (A) commissions and other reasonable and customary transaction costs, fees and expenses properly attributable to such transaction and payable by such Credit Party in connection therewith, other than such costs, fees and expenses paid to Affiliates not on an arms' length basis, (B) transfer taxes, (C) amounts payable to holders of senior Liens (to the extent such Liens constitute Permitted Encumbrances hereunder), if any, and (D) an appropriate reserve for income taxes required to be paid in accordance with GAAP in connection therewith. Any such prepayment shall be applied in accordance with CLAUSE (c) below.

(iii)[RESERVED.]

(iv)Until the Termination Date, Borrowers shall prepay the Obligations on the earlier of the date which is ten (10) days after (A) the date on which Borrowers' annual audited Financial Statements for the immediately preceding Fiscal Year (beginning with the Fiscal Year ending December 31, 2000) are delivered pursuant to ANNEX E or (B) the date on which such annual audited Financial Statements were required to be delivered pursuant to ANNEX E, in an amount equal to fifty percent (50%) of Excess Cash Flow for the immediately preceding Fiscal Year MINUS the aggregate principal amount of all voluntary prepayments of Term Loans made during such Fiscal Year pursuant to SECTION 1.3(A), PROVIDED that such percentage shall be reduced to thirty-five percent (35%) for any Fiscal Year if Borrowers' Leverage Ratio for such Fiscal Year is 4.00:1 or less (and greater than or equal to 3.00:1), PROVIDED FURTHER that such percentage shall be reduced to zero percent (0%) for any Fiscal Year if Borrowers' Leverage Ratio for such Fiscal Year is 3.00:1 or less. Any prepayments from Excess Cash Flow paid pursuant to this CLAUSE (iv) shall be applied in accordance with CLAUSE (c) below. Each such prepayment shall be accompanied by a certificate signed by Borrower Representative's chief financial officer certifying the manner in which Excess Cash Flow and the resulting prepayment were calculated, which certificate shall be in form and substance satisfactory to Administrative Agent.

(c)APPLICATION OF CERTAIN MANDATORY PREPAYMENTS. Any prepayments made by Borrowers pursuant to CLAUSES (b)(ii), (b)(iii), or (b)(iv) above shall be applied as follows: FIRST, to Fees and reimbursable expenses of Administrative Agent then due and payable pursuant to any of the Loan Documents; SECOND, to interest then due and payable, pro rata, on the outstanding Term Loans; THIRD, to prepay the scheduled installments, pro rata, of the outstanding Term Loans, applied to installments pro rata (on a pro rata basis, except that holders of Term Loan B shall have the option to decline to receive any such mandatory prepayments and any amount so declined shall be applied to prepayments of or in respect of Loans, Advances or other Obligations in the order herein provided), until such Loans shall have been prepaid in full; FOURTH, to interest then due and payable on the Swing Line Loan; FIFTH, to the principal balance of the Swing Line Loan until the same shall have been repaid in full; SIXTH, to interest then due and payable on the Revolving Credit Advances; SEVENTH, to the outstanding principal balance of Revolving Credit Advances until the same shall have been paid in full; and EIGHTH, to any Letter of Credit Obligations, to provide cash collateral therefor in the manner set forth in ANNEX B, until all such Letter of Credit Obligations have been fully cash collateralized in the manner set forth in ANNEX B. Neither the Revolving Loan Commitment nor

the Swing Line Commitment shall be permanently reduced by the amount of any such prepayments.

(d) APPLICATION OF PREPAYMENTS FROM INSURANCE PROCEEDS.

Prepayments from insurance proceeds in accordance with SECTION 5.4(c) shall be applied as follows: insurance proceeds from casualties or losses to cash or Inventory shall be applied first, to the Swing Line Loans and second to the Revolving Credit Advances; insurance proceeds from casualties or losses to Equipment, Fixtures and Real Estate shall be applied to the Term Loans, pro rata. Neither the Revolving Loan Commitment nor the Swing Line Loan Commitment shall be permanently reduced by the amount of any such prepayments. If the precise amount of insurance proceeds allocable to Inventory as compared to Equipment, Fixtures and Real Estate is not otherwise determined, the allocation and application of those proceeds shall be determined by Administrative Agent, subject to the approval of Requisite Lenders.

(e) NOTHING IN THIS SECTION 1.3 shall be construed to constitute Administrative Agent's or any Lender's consent to any transaction referred to in CLAUSES (b)(ii) and (b)(iii) above which is not permitted by other provisions of this Agreement or the other Loan Documents.

1.4 USE OF PROCEEDS. Borrowers shall utilize the proceeds of Term Loan A, Term Loan B, the Revolving Loan and the Swing Line Loan solely for the funding of the Refinancing (and to pay certain related transaction fees and expenses), funding certain capital expenditures, and for the financing of Borrowers' working capital and general corporate needs, including acquisitions to the extent permitted by SECTION 6.1(v), (but excluding in any event the making of any Restricted Payment not specifically permitted by SECTION 6.14), except that the proceeds of the portion of Term Loan A and Term Loan B that is uncommitted on the Closing Date, if borrowed, shall be used solely to facilitate Permitted Acquisitions. DISCLOSURE SCHEDULE (1.4) contains a description of Borrowers' sources and uses of funds as of the Closing Date, including Loans and Letter of Credit Obligations to be made or incurred on that date, and a funds flow memorandum detailing how funds from each source are to be transferred to particular uses. Borrowers shall utilize the proceeds of the Contingent Payment Loan (to the extent drawn) solely to pay contingent obligations relating to acquisitions made by Holdings and/or its Subsidiaries (other than Cardinal Holdings and its Subsidiaries) during calendar years 1997 and 1998 pursuant to the Contingent Payment Agreements.

1.5 INTEREST AND APPLICABLE MARGINS.

(a) Borrowers shall pay interest to Administrative Agent, for the ratable benefit of Lenders in accordance with the various Loans being made by each Lender, in arrears on each applicable Interest Payment Date, at the following rates: (i) with respect to the Revolving Credit Advances, the Index Rate plus the Applicable Revolver Index Margin per annum or, at the election of Borrowers, the applicable LIBOR Rate plus the Applicable Revolver LIBOR Margin per annum, based on the aggregate Revolving Credit Advances outstanding from time to time; (ii) with respect to any Term Loan, the Index Rate plus the Applicable Term Loan Index Margin per annum or, at the election of Borrowers, the applicable LIBOR Rate plus the Applicable Term Loan LIBOR Margin per annum; and (iii) with respect to the Swing Line Loan, the Index Rate plus the Applicable Revolver Index Margin per annum.

The following Applicable Margins (consisting of per annum rate margins) shall apply until the Applicable Margins are adjusted as described below:

Applicable Revolver Index Margin	1.25%
Applicable Revolver LIBOR Margin	2.50%
Applicable Term Loan A Index Margin	1.50%
Applicable Term Loan A LIBOR Margin	2.75%
Applicable Term Loan B Index Margin	2.00%
Applicable Term Loan B LIBOR Margin	3.25%
Applicable Contingent Payment Loan Index Margin	1.25%
Applicable Contingent Payment Loan LIBOR Margin	2.50%
Applicable L/C Margin	2.00%
Applicable Facility Fee Margin	0.25%
Applicable Unused Facility Fee Margin	0.50%

The Applicable Margins will be adjusted (up or down) prospectively on a quarterly basis as determined by Borrowers' Consolidated Leverage Ratio as at the last day of each Fiscal Quarter, commencing on the first day of the calendar month that occurs more than three (3) days after delivery to Lenders of Borrowers' quarterly consolidated Financial Statements for the quarter ending September 30, 2000 and thereafter on the first day of the calendar month that occurs more than three (3) days after delivery of the Borrowers' quarterly consolidated Financial Statements to Lenders. Adjustments in Applicable Margins will be determined by reference to the following grids:

If Consolidated Leverage Ratio is:	Level of Applicable Margins:
< 3.0	Level I
< 4.0, but \geq 3.0	Level II
> 4.0	Level III

APPLICABLE MARGINS

	Level I	Level II	Level III
Applicable Revolver Index Margin	1.00%	1.25%	1.50%
Applicable Revolver LIBOR Margin	2.25%	2.50%	2.75%
Applicable Term Loan A Index Margin	1.25%	1.50%	1.75%
Applicable Term Loan A LIBOR Margin	2.50%	2.75%	3.00%
Applicable Term Loan B Index Margin	1.75%	2.00%	2.25%
Applicable Term Loan B LIBOR Margin	3.00%	3.25%	3.50%
Applicable Contingent Payment Loan Index Margin	1.00%	1.25%	1.50%
Applicable Contingent Payment Loan LIBOR Margin	2.25%	2.50%	2.75%
Applicable L/C Margin	2.00%	2.00%	2.00%
Applicable Unused Facility Fee Margin	0.375%	0.50%	0.50%
Applicable Facility Fee Margin	0.25%	0.25%	0.25%

Concurrently with the delivery of all Financial Statements specified above as a basis for adjustments in the Applicable Margins, Borrower Representative shall deliver to Administrative Agent and Lenders a certificate, signed by its chief financial officer, setting forth in reasonable detail the basis for the continuance of, or any change in, the Applicable Margins. Failure to timely deliver such Financial Statements shall, in addition to any other remedy provided for in this Agreement, result in an increase in the Applicable Margins to the highest level set forth in the foregoing grid, until three (3) Business Days following the delivery of those Financial Statements demonstrating that such an increase is not required. If an Event of Default shall have occurred or be continuing at the time any reduction in the Applicable Margins is to be implemented, that reduction shall be deferred until three (3) Business Days following the date on which such Event of Default is waived or cured.

(b) If any payment on any Loan becomes due and payable on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day (except as set forth in the definition of LIBOR period) and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of Fees calculated on a per annum basis and interest shall be made by Administrative Agent on the basis of a three hundred and sixty (360) day year, in each case for the actual number of days occurring in the period for which such interest and Fees are payable. The Index Rate shall be determined each day based upon the Index Rate as in effect each day. Each determination by Administrative Agent of an interest rate hereunder shall be conclusive, absent manifest error.

(d) So long as any Event of Default shall have occurred and be continuing, and at the election of Administrative Agent (or upon the written request of Requisite Lenders) confirmed by written notice from Administrative Agent to Borrower Representative, the interest rates applicable to the Loans and the Letter of Credit Fees shall be increased by two percentage points (2%) per annum above the rates of interest or the rate of such fees otherwise applicable hereunder ("DEFAULT RATE"), and all outstanding Obligations shall bear interest at the Default Rate applicable to such Obligations. Interest and Letter of Credit Fees at the Default Rate shall accrue from the initial date of such Event of Default until that Event of Default is cured or waived and shall be payable upon demand.

(e) So long as no Event of Default shall have occurred and be continuing, and subject to the additional conditions precedent set forth in SECTION 2.2, Borrowers shall have the option to (i) request that any Revolving Credit Advances be made as a LIBOR Loan, (ii) convert at any time all or any part of outstanding Loans (other than the Swing Line Loan) from Index Rate Loans to LIBOR Loans, (iii) convert any LIBOR Loan to an Index Rate Loan, subject to payment of LIBOR breakage costs in accordance with SECTION 1.13(b) if such conversion is made prior to the expiration of the LIBOR Period applicable thereto, or (iv) continue all or any portion of any Loan (other than the Swing Line Loan) as a LIBOR Loan upon the expiration of the applicable LIBOR Period and the succeeding LIBOR Period of that continued Loan shall commence on the last day of the LIBOR Period of the Loan to be continued. Any Loan to be made or continued as, or converted into, a LIBOR Loan must be in a minimum amount of \$500,000 and integral multiples of \$500,000 in excess of such amount. Any such election must be made by 11:00 a.m. (Chicago time) on the third (3rd) Business Day prior to (1) the date of any proposed

Advance which is to bear interest at the LIBOR Rate, (2) the end of each LIBOR Period with respect to any LIBOR Loans to be continued as such, or (3) the date on which Borrowers wish to convert any Index Rate Loan to a LIBOR Loan for a LIBOR Period designated by Borrowers in such election. If no election is received with respect to a LIBOR Loan by 11:00 a.m. (Chicago time) on the third (3rd) Business Day prior to the end of the LIBOR Period with respect thereto (or if an Event of Default shall have occurred and be continuing or the additional conditions precedent set forth in SECTION 2.2 shall not have been satisfied), that LIBOR Loan shall be converted to an Index Rate Loan at the end of its LIBOR Period. Borrowers must make such election by notice to Administrative Agent in writing, by telecopy or overnight courier. In the case of any conversion or continuation, such election must be made pursuant to a written notice (a "NOTICE OF CONVERSION/CONTINUATION") in the form of EXHIBIT 1.5(e). No Loan may be made as or converted into a LIBOR Loan until forty-five (45) days after the Closing Date or such earlier date on which the initial syndication of the Commitments shall have been completed, as determined by Administrative Agent.

(f) NOTWITHSTANDING ANYTHING TO THE CONTRARY SET FORTH IN THIS SECTION 1.5, if a court of competent jurisdiction determines in a final order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the "MAXIMUM LAWFUL RATE"), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; PROVIDED, HOWEVER, that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrowers shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by Administrative Agent, on behalf of Lenders, is equal to the total interest which would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Closing Date as otherwise provided in this Agreement. Thereafter, interest hereunder shall be paid at the rate(s) of interest and in the manner provided in SECTIONS 1.5(a) through (e) above, unless and until the rate of interest again exceeds the Maximum Lawful Rate, and at that time this paragraph shall again apply. In no event shall the total interest received by any Lender pursuant to the terms hereof exceed the amount which such Lender could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate. If the Maximum Lawful Rate is calculated pursuant to this paragraph, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made. If, notwithstanding the provisions of this SECTION 1.5(f), a court of competent jurisdiction shall finally determine that a Lender has received interest hereunder in excess of the Maximum Lawful Rate, Administrative Agent shall, to the extent permitted by applicable law, promptly apply such excess in the order specified in SECTION 1.11 and thereafter shall refund any excess to Borrowers or as a court of competent jurisdiction may otherwise order.

1.6 ELIGIBLE ACCOUNTS. Based on the most recent Borrowing Base Certificate delivered by Borrower Representative to Administrative Agent and on other information available to Administrative Agent, Administrative Agent shall in its reasonable credit judgment determine which Accounts of Borrowers shall be "ELIGIBLE ACCOUNTS" for purposes of this Agreement. In determining whether a particular Account constitutes an Eligible Account, Administrative Agent shall not include any such Account to which any of the exclusionary criteria set forth below applies. Administrative Agent reserves the right, at any time and from time to time after the Closing Date, to adjust any such criteria, to establish new criteria and to adjust advance rates with respect to Eligible Accounts, in its reasonable credit judgment, subject to the approval of Requisite Revolving Lenders in the case of adjustments or new criteria or changes in advance rates which have the effect of making more credit available. Eligible Accounts shall not include any Account of any Borrower:

(a) which does not arise from the sale of goods, leasing of assets or property or the performance of services by such borrower in the ordinary course of its business;

(b) upon which (i) such Borrower's right to receive payment is not absolute, is not then due and payable, or is contingent upon the fulfillment of any condition whatsoever or (ii) such Borrower is not able to bring suit or otherwise enforce its remedies against the Account Debtor through judicial process;

(c) to the extent any defense, counterclaim, setoff or dispute is asserted as to such Account or if the Account represents a progress billing consisting of an invoice for goods sold or used or services rendered pursuant to a contract under which the Account Debtor's obligation to pay that invoice is subject to such Borrower's completion of further performance under such contract;

(d) that is not a true and correct statement of bona fide indebtedness incurred in the amount of the Account for merchandise sold or assets or property leased to or services rendered and accepted by the applicable Account Debtor;

(e) with respect to which an invoice or other notice of amounts

owing has not been sent to the applicable Account Debtor;

(f)that (i) is not owned by such Borrower or (ii) is subject to any right, claim, security interest or other interest of any other Person, other than Liens in favor of Administrative Agent, on behalf of itself and Lenders;

(g)that arises from a sale to any director, officer, other employee or Affiliate of any Credit Party other than to portfolio companies of First Reserve Corporation on an arm's length basis;

(h)that is the obligation of an Account Debtor that is the United States government or a political subdivision thereof, or any state or municipality or department, agency or instrumentality thereof unless Administrative Agent, in its sole discretion, has agreed to the contrary in writing and such Borrower, if necessary or desirable, has complied with the Federal Assignment of Claims Act of 1940, and any amendments thereto, or any applicable state statute or municipal ordinance of similar purpose and effect, with respect to such obligation;

(i)that is the obligation of an Account Debtor located in a foreign country other than Canada (excluding the provinces of Quebec, Newfoundland, Nova Scotia and Prince Edward Island) unless payment thereof is assured by a letter of credit, satisfactory to Administrative Agent as to form, amount and issuer;

(j)to the extent such Borrower or any Subsidiary thereof is liable for goods sold or services rendered by the applicable Account Debtor to such Borrower or any Subsidiary thereof but only to the extent of the potential offset;

(k)that arises with respect to goods which are delivered on a bill-and-hold, cash-on-delivery basis or placed on consignment, guaranteed sale or other terms by reason of which the payment by the Account Debtor is or may be conditional;

(l)that is in default; PROVIDED, THAT, without limiting the generality of the foregoing, an Account shall be deemed in default upon the occurrence of any of the following:

(i)it is not paid within the earlier of: sixty (60) days following its due date or ninety (90) days following its original invoice date;

(ii)if any Account Debtor obligated upon such Account suspends business, makes a general assignment for the benefit of creditors or fails to pay its debts generally as they come due; or

(iii)if any petition is filed by or against any Account Debtor obligated upon such Account under any bankruptcy law or any other federal, state or foreign (including any provincial) receivership, insolvency relief or other law or laws for the relief of debtors;

(m)which is the obligation of an Account Debtor if fifty percent (50%) or more of the dollar amount of all Accounts owing by that Account Debtor are ineligible under the other criteria set forth in this SECTION 1.6;

(n)as to which Administrative Agent's interest, on behalf of itself and Lenders, therein is not a first priority perfected security interest;

(o)as to which any of the representations or warranties pertaining to Accounts set forth in this Agreement or the Security Agreement is untrue;

(p)to the extent such account is evidenced by a judgment, Instrument or Chattel Paper;

(q)to the extent such Account exceeds any credit limit established by Administrative Agent, in its reasonable discretion;

(r)which is payable in any currency other than Dollars; or

(s)which is unacceptable to Administrative Agent in its reasonable credit judgment.

1.7 [RESERVED.]

1.8 CASH MANAGEMENT SYSTEMS. As soon as practicable, but in no event later than sixty (60) days after the Closing Date, Borrowers will establish and will maintain until the Termination Date, the cash management systems described on ANNEX C (the "CASH MANAGEMENT SYSTEMS").

1.9 FEES.

(a)Borrowers shall pay to GE Capital, individually, the Fees specified in that certain fee letter dated as of July 15, 1999 among Borrowers, Holdings and GE Capital (the "GE CAPITAL FEE LETTER"), at the times specified for payment therein.

(b)As additional compensation for the Revolving Lenders and the Contingent Payment Lenders, Borrowers agree to pay to Administrative Agent, for the ratable benefit of such Lenders, in arrears, on the first Business Day of each month prior to the Commitment Termination Date and on the Commitment Termination Date with respect to Revolving Loans and prior to the Contingent Payment Loan Commitment Termination Date and on the Contingent Payment Loan Commitment Termination Date with respect to the Contingent Payment Loan Commitment, a fee for Borrowers' non-use of available funds in an amount equal to the Applicable Unused Facility Fee Margin per annum (calculated on the basis of a 360 day year for actual days elapsed) on (i) in the case of the Revolving Loan, the difference between (x) the Maximum Amount (as it may be reduced from time to time) and (y) the average for the period of the daily closing balances of the Revolving Loan and the Swing Line Loan, as applicable, during the period for which such fee is due and, (ii) in the case of the Contingent Payment Loan, the unused Contingent Payment Loan Commitment (as it may be reduced from time to time).

(c)In the event that Borrowers terminate the Revolving Loan Commitment or prepay any Term Loan, or the Revolving Loan Commitment is terminated or any Term Loan is prepaid as the result of an Event of Default, in each case prior to the first anniversary of the Closing Date, then Borrowers shall pay to Administrative Agent an amount equal to 1% of the Revolving Loan Commitment and/or the amount of the Term Loan being prepaid, as applicable. Except as required by SECTION 1.3 or this SECTION 1.9, no other prepayment fee shall be payable by Borrowers upon any voluntary or mandatory prepayment.

(d)As additional compensation for the Contingent Payment Lenders, Borrowers agree to pay to Administrative Agent, for the ratable benefit of such Lenders, in advance on the Closing Date and on each anniversary thereof prior to the Commitment Termination Date, a fee in an amount equal to the Applicable Facility Fee Margin per annum (calculated on the basis of a 360 day year for actual days elapsed) on the Contingent Payment Loan Commitment, whether or not used.

1.10 RECEIPT OF PAYMENTS. Borrowers shall make each payment under this Agreement not later than 1:00 p.m. Chicago time on the day when due in immediately available funds in Dollars to the Collection Account. For purposes of computing interest and Fees and determining Borrowing Availability or Net Borrowing Availability as of any date, all payments shall be deemed received on the day of receipt of immediately available funds therefor in the Collection Account prior to 1:00 p.m. Chicago time. Payments received after 1:00 p.m. Chicago time on any Business Day shall be deemed to have been received on the following Business Day.

1.11 APPLICATION AND ALLOCATION OF PAYMENTS.

(a)So long as no Event of Default shall have occurred and be continuing, (i) payments matching specific scheduled payments then due shall be applied to those scheduled payments; (ii) voluntary prepayments shall be applied as determined by Borrowers, subject to the provisions of SECTION 1.3(A); and (iii) mandatory prepayments shall be applied as set forth in SECTION 1.3. As to all payments made when an Event of Default shall have occurred and be continuing or following the Commitment Termination Date, Borrowers hereby irrevocably waive the right to direct the application of any and all payments received from or on behalf of Borrowers, and each Borrower hereby irrevocably agrees that Administrative Agent shall have the continuing exclusive right to apply any and all such payments against the Obligations of Borrowers as Administrative Agent may deem advisable notwithstanding any previous entry by Administrative Agent in the Loan Account or any other books and records. In the absence of a specific determination by Administrative Agent with respect thereto, payments shall be applied to amounts then due and payable in the following order: (1) to Fees and Administrative Agent's expenses reimbursable hereunder; (2) to interest on the Swing Line Loan; (3) to principal payments on the Swing Line Loan; (4) to interest on the other Loans, ratably in proportion to the interest accrued as to each Loan; (5) to principal payments on the other Loans and to provide cash collateral for Letter of Credit Obligations in the manner described in ANNEX B, ratably to the aggregate, combined principal balance of the other Loans and outstanding Letter of Credit Obligations; and (6) to all other Obligations including expenses of Lenders to the extent reimbursable under SECTION 11.3.

(b)Administrative Agent is authorized to, and at its sole election may, charge to the Revolving Loan balance on behalf of Borrowers and cause to be paid all Fees, expenses, Charges, costs (including insurance premiums in accordance with SECTION 5.4(a)) and interest and principal, other than principal of the Revolving Loan, owing by Borrowers under this Agreement or any of the other Loan Documents if and to the extent Borrowers fail after due notice to promptly pay any such amounts, even if such charges would cause the aggregate balance of the Revolving Loan and the Swing Line Loan to exceed Borrowing Availability. At Administrative Agent's option and to the extent permitted by law, any charges so made shall constitute part of the Revolving Loan hereunder.

1.12 LOAN ACCOUNT AND ACCOUNTING. Administrative Agent shall maintain a loan account (the "LOAN ACCOUNT") on its books to record: (a) all Advances and all Term Loans, (b) all payments made by Borrowers, and

(c) all other debits and credits as provided in this Agreement with respect to the Loans or any other Obligations. All entries in the Loan Account shall be made in accordance with Administrative Agent's customary accounting practices as in effect from time to time. The balance in the Loan Account, as recorded on Administrative Agent's most recent printout or other written statement, shall be presumptive evidence of the amounts due and owing to Administrative Agent and Lenders by Borrowers; PROVIDED that any failure to so record or any error in so recording shall not limit or otherwise affect Borrowers' duty to pay the Obligations. Administrative Agent shall render to Borrower Representative a monthly accounting of transactions with respect to the Loans setting forth the balance of the Loan Account. Unless Borrower Representative notifies Administrative Agent in writing of any objection to any such accounting (specifically describing the basis for such objection), within sixty (60) days after the date thereof, each and every such accounting shall (absent manifest error) be deemed final, binding and conclusive upon each Borrower in all respects as to all matters reflected therein. Only those items expressly objected to in such notice shall be deemed to be disputed by Borrowers.

1.13 INDEMNITY.

(a) Each Credit Party that is a signatory hereto shall jointly and severally indemnify and hold harmless each of Administrative Agent, Lenders and their respective Affiliates, and each such Person's respective officers, directors, employees, attorneys, agents and representatives (each, an "INDEMNIFIED PERSON"), from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees and disbursements and other reasonable costs of investigation or defense, including those incurred upon any appeal) which may be instituted or asserted against or incurred by any such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder and thereunder and any actions or failures to act in connection therewith, including any and all Environmental Liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among ANY PARTIES to any of the Loan Documents (collectively, "INDEMNIFIED LIABILITIES"); PROVIDED, that no such Credit Party shall be liable for any indemnification to an Indemnified Person to the extent that any such suit, action, proceeding, claim, damage, loss, liability or expense results solely from that Indemnified Person's gross negligence or willful misconduct, as finally determined by a court of competent jurisdiction. NO INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO ANY LOAN DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF CREDIT HAVING BEEN EXTENDED, SUSPENDED OR TERMINATED UNDER ANY LOAN DOCUMENT OR AS A RESULT OF ANY OTHER TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

(b) To induce Lenders to provide the LIBOR Rate option on the terms provided herein, if (i) any LIBOR Loans are repaid in whole or in part prior to the last day of any applicable LIBOR Period (whether that repayment is made pursuant to any provision of this Agreement or any other Loan Document or is the result of acceleration, by operation of law or otherwise); (ii) Borrowers shall default in payment when due of the principal amount of or interest on any LIBOR Loan; (iii) Borrowers shall default in making any borrowing of, conversion into or continuation of LIBOR Loans after Borrowers have given notice requesting the same in accordance herewith; or (iv) Borrowers shall fail to make any prepayment of a LIBOR Loan after Borrowers have given a notice thereof in accordance herewith, Borrowers shall indemnify and hold harmless each Lender from and against all losses, costs and expenses resulting from or arising from any of the foregoing. Such indemnification shall include any loss or expense arising from the reemployment of funds obtained by it or from fees payable to terminate deposits from which such funds were obtained. For the purpose of calculating amounts payable to a Lender under this subsection, each Lender shall be deemed to have actually funded its relevant LIBOR Loan through the purchase of a deposit bearing interest at the LIBOR Rate in an amount equal to the amount of that LIBOR Loan and having a maturity comparable to the relevant Interest Period; provided, however, that each Lender may fund each of its LIBOR Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this subsection. This covenant shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder. As promptly as practicable under the circumstances, each Lender shall provide Borrower Representative with its written calculation of all amounts payable pursuant to this SECTION 1.13(b), and such calculation shall be binding on the parties hereto unless Borrower Representative shall object in writing within ten (10) Business Days of receipt thereof, specifying the basis for such objection in detail.

1.14 ACCESS. Each Credit Party which is a party hereto shall, during normal business hours and without undue disruption of such Credit Party's business, from time to time upon two (2) Business Days' prior notice as frequently as Administrative Agent reasonably determines to be appropriate: (a) provide Administrative Agent and any of its officers,

employees and agents access to its properties, facilities, advisors and employees (including officers) of each Credit Party and to the Collateral, (b) permit Administrative Agent, and any of its officers, employees and agents, to inspect, audit and make extracts from any Credit Party's books and records, and (c) permit Administrative Agent, and its officers, employees and agents, to inspect, review, evaluate and make test verifications and counts of the Accounts, Inventory and other Collateral of any Credit Party. If a Default or Event of Default shall have occurred and be continuing, each such Credit Party shall provide such access to Administrative Agent and to each Lender at all times and without advance notice. Furthermore, so long as any Event of Default shall have occurred and be continuing, each Borrower shall provide Administrative Agent with access to its suppliers and customers. Each Credit Party shall make available to Administrative Agent and its counsel, as quickly as is possible under the circumstances, originals or copies of all books and records which Administrative Agent may reasonably request. Each Credit Party shall deliver any document or instrument necessary for Administrative Agent, as it may from time to time request, to obtain records from any service bureau or other Person which maintains records for such Credit Party. Administrative Agent will give Lenders at least ten (10) days' prior written notice of regularly scheduled audits. Representatives of other Lenders may accompany Administrative Agent's representatives on regularly scheduled audits at no charge to Borrowers.

1.15 TAXES.

(a) Any and all payments by Borrowers hereunder or under the Notes shall be made, in accordance with this SECTION 1.15, free and clear of and without deduction for any and all present or future Taxes. If Borrowers shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes, (i) the sum payable shall be increased as much as shall be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this SECTION 1.15) Administrative Agent or Lenders, as applicable, receive an amount equal to the sum they would have received had no such deductions been made, (ii) Borrowers shall make such deductions, and (iii) Borrowers shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within thirty (30) days after the date of any payment of Taxes, Borrower Representative shall furnish to Administrative Agent the original or a certified copy of a receipt evidencing payment thereof.

(b) Each Credit Party that is a signatory hereto shall indemnify and, within ten (10) days of demand therefor, pay Administrative Agent and each Lender for the full amount of Taxes (including any Taxes imposed by any jurisdiction on amounts payable under this SECTION 1.15) paid by Administrative Agent or such Lender, as appropriate, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted.

(c) FOREIGN LENDERS. Each Lender organized under the laws of a jurisdiction outside the United States (a "FOREIGN LENDER") as to which payments to be made under this Agreement or under the Notes are exempt from United States withholding tax under an applicable statute or tax treaty shall provide to Borrower Representative and Administrative Agent a properly completed and executed IRS Form 4224 or Form 1001 or other applicable form, certificate or document prescribed by the IRS or the United States certifying as to such Foreign Lender's entitlement to such exemption (a "CERTIFICATE OF EXEMPTION"). Any foreign Person that seeks to become a Lender under this Agreement shall provide a Certificate of Exemption to Borrower Representative and Administrative Agent prior to becoming a Lender hereunder. No foreign Person may become a Lender hereunder if such Person is unable to deliver a Certificate of Exemption.

1.16 CAPITAL ADEQUACY; INCREASED COSTS; ILLEGALITY.

(a) If any Lender shall determine that the adoption after the date hereof of any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by any Lender with any request or directive imposed after the date hereof regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law) from any central bank or other Governmental Authority increases or would have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Lender and thereby reducing the rate of return on such Lender's capital as a consequence of its obligations hereunder, then Borrowers shall from time to time upon demand by such Lender (with a copy of such demand to Administrative Agent) pay to Administrative Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for such reduction. A certificate as to the amount of that reduction and showing the basis of the computation thereof submitted by such Lender to Borrower Representative and to Administrative Agent shall, absent manifest error, be final, conclusive and binding for all purposes.

(b) If, due to either (i) the introduction of or any change in any law or regulation (or any change in the interpretation thereof) or (ii) the compliance with any guideline or request imposed after the date hereof from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to

any Lender of agreeing to make or making, funding or maintaining any Loan, then Borrowers shall from time to time, upon demand by such Lender (with a copy of such demand to Administrative Agent), pay to Administrative Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to Borrower Representative and to Administrative Agent by such Lender, shall be conclusive and binding on Borrowers for all purposes, absent manifest error. Each Lender agrees that, as promptly as practicable after it becomes aware of any circumstances referred to above which would result in any such increased cost, the affected Lender shall, to the extent not inconsistent with such Lender's internal policies of general application, use reasonable commercial efforts to minimize costs and expenses incurred by it and payable to it by borrowers pursuant to this SECTION 1.16(b).

(c)Notwithstanding anything to the contrary contained herein, if the introduction of or any change in any law or regulation (or any change in the interpretation thereof) shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Lender to agree to make or to make or to continue to fund or maintain any LIBOR Loan, then, unless that Lender is able to make or to continue to fund or to maintain such LIBOR Loan at another branch or office of that Lender without, in that Lender's opinion, adversely affecting it or its Loans or the income obtained therefrom, on notice thereof and demand therefor by such Lender to Borrower Representative through Administrative Agent, (i) the obligation of such Lender to agree to make or to make or to continue to fund or maintain LIBOR Loans shall terminate and (ii) Borrowers shall forthwith prepay in full all outstanding LIBOR Loans owing to such Lender, together with interest accrued thereon, UNLESS Borrowers, within five (5) Business Days after the delivery of such notice and demand, convert all such Loans into Loans bearing interest based on the Index Rate.

(d)REPLACEMENT OF LENDER IN RESPECT OF INCREASED COSTS. After receipt by Borrower Representative of written notice and demand from any Lender (an "AFFECTED LENDER") for payment of additional amounts or increased costs as provided in SECTION 1.15(a), 1.16(a) or 1.16(b), Borrowers may, at their option, notify Administrative Agent and such Affected Lender of their intention to replace the Affected Lender. So long as no Default or Event of Default shall have occurred and be continuing, Borrowers, with the consent of Administrative Agent, may obtain, at Borrowers' expense, a replacement Lender ("REPLACEMENT LENDER") for the Affected Lender, which Replacement Lender must be reasonably satisfactory to Administrative Agent. If Borrowers obtain a Replacement Lender, the Affected Lender must sell and assign its Loans and Commitments to such Replacement Lender for an amount equal to the principal balance of all Loans held by the Affected Lender and all accrued interest and Fees with respect thereto through the date of such sale, PROVIDED that Borrowers shall have reimbursed such Affected Lender for the additional amounts or increased costs that it is entitled to receive under this Agreement through the date of such sale and assignment.

(Notwithstanding the foregoing, Borrowers shall not have the right to obtain a Replacement Lender if the Affected Lender rescinds its demand for increased costs or additional amounts within fifteen (15) days following its receipt of Borrowers' notice of intention to replace such Affected Lender.

1.17 JOINT AND SEVERAL OBLIGATION; SINGLE LOAN.All Obligations of Borrowers hereunder shall be joint and several, and all Loans to Borrowers and all of the other Obligations of Borrowers arising under this Agreement and the other Loan Documents shall constitute one general obligation of Borrowers secured, until the Termination Date, by all of their Collateral.

2. CONDITIONS PRECEDENT

2.1 CONDITIONS TO THE INITIAL LOANS.

No Lender shall be obligated to make any Loan or incur any Letter of Credit Obligations on or after the Closing Date, or to take, fulfill, or perform any other action hereunder, until the following conditions have been satisfied or provided for in a manner satisfactory to Administrative Agent, or waived in writing by Administrative Agent and Lenders:

(a)CREDIT AGREEMENT; LOAN DOCUMENTS. This Agreement or counterparts hereof shall have been duly executed by, and delivered to, each Credit Party, Administrative Agent and Lenders; and Administrative Agent shall have received such documents, instruments, agreements and legal opinions as Administrative Agent shall reasonably request in connection with the transactions contemplated by this Agreement and the other Loan Documents, including all those listed on the Closing Checklist attached hereto as ANNEX D, each in form and substance reasonably satisfactory to Administrative Agent.

(b)REPAYMENT OF PRIOR LENDER OBLIGATIONS; SATISFACTION OF OUTSTANDING L/CS. (i) Administrative Agent shall have received a fully executed original of a pay-off letter satisfactory to Administrative Agent confirming that all of the Prior Lender Obligations will be repaid

in full from the proceeds of the Term Loans and the initial Revolving Credit Advance to be made on the Closing Date and the proceeds of the Related Transactions received by Borrowers on the Closing Date, and all Liens upon any of the property of Borrowers or any of their Subsidiaries in favor of any Prior Lender shall be terminated by such Prior Lender immediately upon such payment; and (ii) all letters of credit issued or guaranteed by any Prior Lender shall have been cash collateralized, supported by a guaranty of Administrative Agent or supported by a Letter of Credit issued pursuant to ANNEX B or deemed issued hereunder as provided in ANNEX B, as mutually agreed upon by Administrative Agent, Borrowers and such Prior Lender.

(c)APPROVALS. Administrative Agent shall have received (i) satisfactory evidence that the Credit Parties have obtained all required consents and approvals of all Persons including all requisite Governmental Authorities, to the execution, delivery and performance by the Credit Parties of this Agreement and the other Loan Documents and the consummation of the Related Transactions or (ii) an officer's certificate in form and substance satisfactory to Administrative Agent affirming that no such consents or approvals are required.

(d)OPENING AVAILABILITY. The Eligible Accounts of Borrowers supporting the initial Revolving Credit Advance and the initial Letter of Credit Obligations incurred and the amount of the Reserves to be established on the Closing Date shall be sufficient in value, as determined by Administrative Agent, to provide Borrowers with Net Borrowing Availability, after giving effect to the initial Revolving Credit Advance, the incurrence of any initial Letter of Credit Obligations and the consummation of the Related Transactions (on a pro forma basis, with trade payables being paid currently, and expenses and liabilities being paid in the ordinary course of business and without acceleration of sales) of at least \$7,500,000.

(e)PAYMENT OF FEES. Borrowers shall have paid the Fees required to be paid on the Closing Date in the respective amounts specified in SECTION 1.9 (including the Fees specified in the GE Capital Fee Letter), and shall have reimbursed Administrative Agent for all reasonable out-of-pocket costs and expenses of closing presented as of the Closing Date.

(f)CAPITAL STRUCTURE: OTHER INDEBTEDNESS. The capital structure of each Credit Party and the terms and conditions of all Indebtedness of each Credit Party shall be acceptable to Administrative Agent in its sole discretion.

(g)CONSUMMATION OF RELATED TRANSACTIONS. Administrative Agent shall have received fully executed copies of the Agreement and Plan of Merger and each of the other Related Transactions Documents, each of which shall be in form and substance satisfactory to Administrative Agent and its counsel. The Transaction and the other Related Transactions shall be simultaneously consummated in accordance with the terms of the Agreement and Plan of Merger and the other Related Transactions Documents. Pursuant to the Transaction and the other Related Transactions, the aggregate fees and closing costs (including those payable to Agents and Lenders) shall not exceed \$9 million. Cardinal Holdings shall have received cash proceeds of \$50,000,000 from an offering of equity prior to the consummation of the Transaction, on terms and conditions reasonably acceptable to Administrative Agent. Total aggregate Indebtedness of Borrowers on the Closing Date, after taking into account the Loans and the Transaction, shall not exceed \$150 million.

2.2 FURTHER CONDITIONS TO EACH LOAN. Except as otherwise expressly provided herein, no Lender shall be obligated to fund any Loan (including Contingent Payment Loan) or incur any Letter of Credit Obligation, if, as of the date thereof:

(a)Any representation or warranty by any Credit Party contained herein or in any of the other Loan Documents shall be untrue or incorrect as of such date, except to the extent that such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted or expressly contemplated by this Agreement; or

(b)Any event or circumstance having a Material Adverse Effect shall have occurred since the date hereof; or

(c)(i) Any Event of Default shall have occurred and be continuing or would result after giving effect to any Loan (or the incurrence of any Letter of Credit Obligations), or (ii) a Default shall have occurred and be continuing or would result after giving effect to any Loan (or the incurrence of any Letter of Credit Obligations), and Administrative Agent or Requisite Revolving Lenders shall have determined not to make any Loan or incur any Letter of Credit Obligation so long as that Default is continuing; or

(d)After giving effect to any Advance (or the incurrence of any Letter of Credit Obligations), the outstanding principal amount of the Revolving Loan would exceed the lesser of the Borrowing Base and the Maximum Amount, MINUS, in each case, the then outstanding principal amount of the Swing Line Loan; or

(e) After giving effect to any Swing Line Advance, the outstanding principal amount of the Swing Line Loan would exceed Swing Line Availability. The request and acceptance by any Borrower of the proceeds of any Loan, the incurrence of any Letter of Credit Obligations or the conversion or continuation of any Loan into, or as, a LIBOR Loan, as the case may be, shall be deemed to constitute, as of the date of such request or acceptance, (i) a representation and warranty by each Borrower that the conditions in this SECTION 2.2 have been satisfied and (ii) a reaffirmation by each Borrower of the granting and continuance of Administrative Agent's Liens, on behalf of itself and Lenders, pursuant to the Collateral Documents.

3. REPRESENTATIONS AND WARRANTIES

To induce Lenders to make the Loans and to incur Letter of Credit Obligations, the Credit Parties executing this Agreement, jointly and severally, make the following representations and warranties to Administrative Agent and each Lender with respect to all Credit Parties, each and all of which shall survive the execution and delivery of this Agreement.

3.1 CORPORATE EXISTENCE; COMPLIANCE WITH LAW. Each Credit Party

(a) is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization; (b) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except as could not reasonably be expected to have a Material Adverse Effect; (c) has the requisite corporate or limited liability company power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease and to conduct its business as now conducted and proposed to be conducted; (d) has all licenses, permits, consents or approvals from or by, and has made all filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct, except as could not reasonably be expected to have a Material Adverse Effect; (e) is in compliance with its charter and by-laws (or analogous organizational documents); and (f) subject to specific representations set forth herein regarding ERISA, Environmental Laws, tax and other laws, is in compliance with all applicable provisions of law, except where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

3.2 EXECUTIVE OFFICES; FEIN. As of the Closing Date, the

current location of each Credit Party's chief executive office and principal place of business is set forth in DISCLOSURE SCHEDULE (3.2), and none of such locations have changed within the twelve (12) months preceding the Closing Date. In addition, DISCLOSURE SCHEDULE (3.2) lists the federal employer identification number of each Credit Party.

3.3 POWER, AUTHORIZATION, ENFORCEABLE OBLIGATIONS. The

execution, delivery and performance by each Credit Party of the Loan Documents to which it is a party and the creation of all Liens provided for therein: (a) are within such Person's corporate or limited liability company power; (b) have been duly authorized by all necessary or proper corporate and shareholder action (or limited liability company and member action); (c) do not contravene any provision of such Person's charter or bylaws (or analogous organizational documents); (d) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (e) except for obligations to Prior Lenders which are being paid in full and terminated as part of the Related Transactions, do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Person is a party or by which such Person or any of its property is bound; (f) do not result in the creation or imposition of any Lien upon any of the property of such Person other than those in favor of Administrative Agent, on behalf of itself and Lenders, pursuant to the Loan Documents or in favor of the Vessel Mortgagee on behalf of Administrative Agent and the Lenders pursuant to the Vessel Mortgage; and (g) do not require the consent or approval of any Governmental Authority or any other Person. On or prior to the Closing Date, each of the Loan Documents shall have been duly executed and delivered by each Credit Party thereto and each such Loan Document shall then constitute a legal, valid and binding obligation of such Credit Party enforceable against it in accordance with its terms (subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and similar laws affecting creditors' rights and remedies generally).

3.4 FINANCIAL STATEMENTS AND PROJECTIONS. Except for the

Projections, all Financial Statements which are referenced below have been prepared in accordance with GAAP consistently applied throughout the periods covered (except as disclosed therein and except, with respect to unaudited Financial Statements, for the absence of footnotes and normal year-end audit adjustments) and present fairly in all material respects the financial position of the Persons covered thereby as at the dates thereof and the results of their operations and cash flows for the periods then ended.

(a)The following Financial Statements attached hereto as DISCLOSURE SCHEDULE (3.4(a)) have been delivered on the date hereof:

(i)The audited consolidated and unaudited consolidating balance sheets at December 31, 1997 and 1998 and the related statements of income and cash flows (except for unaudited consolidating statements of cash flows) of Holdings and its Subsidiaries for the Fiscal Years then ended, certified by KPMG LLP.

(ii)The audited consolidated balance sheets at December 31, 1998 and the related statements of income and cash flows of Cardinal Holdings and its Subsidiaries for the Fiscal Year then ended, certified by Ernst & Young LLP.

(iii)The unaudited consolidated and consolidating balance sheets at March 31, 1999 and the related statements of income and cash flows of (x) Holdings and its Subsidiaries (except for unaudited consolidating statements of cash flows) and (y) Cardinal Holdings and its Subsidiaries, for the Fiscal Quarter then ended.

(b)PRO FORMA. The Pro Forma delivered on the date hereof and attached hereto as DISCLOSURE SCHEDULE (3.4(b)) was prepared by Borrowers giving PRO FORMA effect to the Related Transactions, was based on the unaudited consolidated balance sheets of Holdings and its Subsidiaries dated March 31, 1999, and was prepared in accordance with GAAP, with only such adjustments thereto as would be required in accordance with GAAP.

(c)PROJECTIONS. The Projections delivered on the date hereof and attached hereto as DISCLOSURE SCHEDULE (3.4(c)) have been prepared by Borrowers in light of the past operations of their businesses, and reflect projections for the seven-year period beginning on January 1, 1999, on a quarterly basis for 1999 and on an annual basis thereafter. The Projections are based upon estimates and assumptions stated therein, all of which Borrowers believe to be reasonable and fair in light of current conditions and current facts known to Borrowers and, as of the Closing Date, reflect Borrowers' good faith and reasonable estimates of the future financial performance of Holdings and its Subsidiaries and of the other information projected therein for the period set forth therein.

3.5 MATERIAL ADVERSE EFFECT. Between December 31, 1998 and the Closing Date, (a) no Credit Party has incurred any obligations, contingent or non-contingent liabilities, liabilities for Charges, long-term leases or unusual forward or long-term commitments which, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (b) no contract, lease or other agreement or instrument has been entered into by any Credit Party or has become binding upon any Credit Party's assets and no law or regulation applicable to any Credit Party has been adopted which has had or could reasonably be expected to have a Material Adverse Effect, and (c) no Credit Party is in default and to the best of Borrowers' knowledge no third party is in default under any material contract, lease or other agreement or instrument, which alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Between December 31, 1998 and the Closing Date no event has occurred, which alone or together with other events, could reasonably be expected to have a Material Adverse Effect.

3.6 OWNERSHIP OF PROPERTY; LIENS.

(a)AS OF THE CLOSING DATE, THE REAL ESTATE ("REAL ESTATE") listed on DISCLOSURE SCHEDULE (3.6)(a) constitutes all of the real property owned, leased or subleased by any Credit Party. Each Credit Party owns good and marketable fee simple title to all of its owned Real Estate, and valid leasehold interests in all of its leased Real Estate, all as described on DISCLOSURE SCHEDULE (3.6)(a), and copies of all such leases or a summary of terms thereof have been delivered to Administrative Agent. DISCLOSURE SCHEDULE (3.6)(a) further describes any Real Estate with respect to which any Credit Party is a lessor, sublessor or assignor as of the Closing Date. Each Credit Party also has good and marketable title to, or valid leasehold interests in, all of its personal properties and assets. As of the Closing Date, after giving effect to the Related Transactions, none of the properties and assets of any Credit Party are subject to any Liens other than Permitted Encumbrances, and there are no facts, circumstances or conditions known to any Credit Party that may reasonably be expected to result in any Liens (including Liens arising under Environmental Laws) other than Permitted Encumbrances. Each Credit Party has received all deeds, assignments, waivers, estoppels, consents, non-disturbance and recognition or similar agreements, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect such Credit Party's right, title and interest in and to all such Real Estate and other properties and assets, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect. As of the Closing Date, DISCLOSURE SCHEDULE (3.6)(a) also describes any purchase options, rights of first refusal or other similar contractual rights pertaining to any Real Estate. As of the Closing Date, no portion of any Credit Party's Real Estate has suffered any material damage by fire or other casualty loss which has not heretofore been repaired and restored in all material respects to its original condition or otherwise remedied. As of the Closing Date, all material permits required to have been issued or appropriate to enable the Real Estate to be lawfully occupied and used for all of the purposes for which they are currently

occupied and used have been lawfully issued and are in full force and effect.

(b)As of the Closing Date, the Vessels listed by name and official number in SCHEDULE 3.6(b) constitute all of the Vessels owned or operated by Borrowers. Each Vessel is owned by a Borrower, is duly registered under the laws of the United States, is eligible to engage in the coastwise trade and no Vessel has been the subject (including by virtue of her trade or the actions of her owner at any time) of such facts or circumstances as would cause her to be declared ineligible for the coastwise trade of the United States by the U.S. Coast Guard, the Custom Service or the United States Maritime Association. At all relevant times, each Borrower that operates a Vessel has been "a citizen of the United States" within the meaning of Section 2 of the Shipping Act of 1916, as amended, for the purpose of operating its Vessels in the coastwise trade of the United States. Each Vessel is duly documented (to the extent required for its current use) in the name of a Borrower with the U.S. Coast Guard and each of the Vessels has (to the extent required for its current use) current certificates of inspection and documentation (with coastwise trade endorsements) in effect with the U.S. Coast Guard and all other certificates and documentation required by any Governmental Authority to operate offshore in the U.S. Gulf of Mexico, in each case free of reportable exceptions or notations of record which would affect her class, except for such which may be postponed until the Vessel's next scheduled or other future drydocking. Each Vessel and engine and other major component thereof is in a good state of repair and operating condition, ordinary wear and tear excepted, which is adequate to enable such Vessel to perform the functions for the related Borrower for which it has been historically used and operated in the ordinary course of business, in each case except as could not reasonably be expected to have a Material Adverse Effect.

3.7 LABOR MATTERS. As of the Closing Date (a) no strikes or other material labor disputes against any Credit Party are pending or, to any Credit Party's knowledge, threatened; (b) hours worked by and payment made to employees of each Credit Party comply in all material respects with the Fair Labor Standards Act and each other federal, state, local or foreign law applicable to such matter; (c) all payments due from any Credit Party for employee health and welfare insurance have been paid or accrued as a liability on the books of such Credit Party; (d) except as set forth in DISCLOSURE SCHEDULE (3.7), no Credit Party is a party to or bound by any collective bargaining agreement, management agreement, consulting agreement or any employment agreement (and true and complete copies of any agreements described on DISCLOSURE SCHEDULE (3.7) have been delivered to Administrative Agent); (e) except as set forth in DISCLOSURE SCHEDULE (3.7), to any Credit Party's knowledge, there is no organizing activity involving any Credit Party pending or threatened by any labor union or group of employees; (f) there are no representation proceedings pending or, to any Credit Party's knowledge, threatened with the National Labor Relations Board, and no labor organization or group of employees of any Credit Party has made a pending demand for recognition; and (g) except as set forth in DISCLOSURE SCHEDULE (3.7), there are no complaints or charges against any Credit Party pending or, to the knowledge of any Credit Party, threatened to be filed with any Governmental Authority or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment by any Credit Party of any individual.

3.8 VENTURES, SUBSIDIARIES AND AFFILIATES; OUTSTANDING STOCK AND INDEBTEDNESS. Except as set forth in DISCLOSURE SCHEDULE (3.8), as of the Closing Date, no Credit Party has any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. As of the Closing Date, all of the issued and outstanding Stock of each Credit Party is owned by the stockholders (or members) and in the amounts set forth on DISCLOSURE SCHEDULE (3.8) (except that for Holdings, only those stockholders that own five percent (5%) or more of Holdings are listed on such Disclosure Schedule) and except as set forth therein there are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which any Credit Party (other than Holdings) may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries. All outstanding Indebtedness of each Credit Party as of the Closing Date is described in Section 6.3 (including DISCLOSURE SCHEDULE (6.3)).

3.9 GOVERNMENT REGULATION. No Credit Party is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940 as amended. No Credit Party is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, or any other federal or state statute that restricts or limits its ability to incur Indebtedness or to perform its obligations hereunder. The borrowing of the Loans by Borrowers, the incurrence of the Letter of Credit Obligations on behalf of Borrowers, the application of the proceeds thereof and repayment thereof and the consummation of the Related Transactions by the Credit Parties will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission and applicable to any Credit Party.

3.10 MARGIN REGULATIONS. No Credit Party is engaged, nor will

it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin security" as such terms are defined in Regulation U or G of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "MARGIN STOCK"). None of the proceeds of the Loans or other extensions of credit under this Agreement will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry any Margin Stock or for any other purpose which might cause any of the Loans or other extensions of credit under this Agreement to be considered a "purpose credit" within the meaning of Regulation T, U or X of the Federal Reserve Board. No Credit Party will take any action which might cause any Loan Document to violate any regulation of the Federal Reserve Board.

3.11 TAXES. All tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by any Credit Party have been filed with the appropriate Governmental Authority and all Charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), excluding Charges or other amounts being contested in accordance with SECTION 5.2(b), except those which could not reasonably be expected to have a Material Adverse Effect. Proper and accurate amounts have been withheld by each Credit Party from its respective employees for all periods in full and complete compliance with all applicable federal, state, local and foreign law and such withholdings have been timely paid to the respective Governmental Authorities, except those which could not reasonably be expected to have a Material Adverse Effect. DISCLOSURE SCHEDULE (3.11) sets forth as of the Closing Date those taxable years for which any Credit Party's tax returns are currently being audited by the IRS or any other applicable Governmental Authority and any assessments or threatened assessments in connection with such audit, or otherwise currently outstanding. Except as described on DISCLOSURE SCHEDULE (3.11) or as otherwise disclosed to Administrative Agent in writing, no Credit Party has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any Charges. None of the Credit Parties and their respective predecessors are liable for any Charges: (a) under any agreement (including any tax sharing agreements) or (b) to each Credit Party's knowledge, as a transferee. As of the Closing Date, no Credit Party has agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, which would have a Material Adverse Effect.

3.12 ERISA.

(a) EXCEPT AS LISTED AND SEPARATELY IDENTIFIED ON DISCLOSURE SCHEDULE (3.12) or as otherwise disclosed to Administrative Agent in writing, there are no Title IV Plans, Multiemployer Plans, ESOPs and Retiree Welfare Plans. Copies of all such listed or disclosed Plans, together with a copy of the latest form 5500 for each such Plan, will be made available to Administrative Agent upon written request by Administrative Agent. Except as set forth in DISCLOSURE SCHEDULE (3.12), each Qualified Plan has received a determination letter from the IRS to qualify under Section 401 of the IRC, and the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC, and nothing has occurred which would cause the loss of such qualification or tax-exempt status. Each Plan is in compliance with the applicable provisions of ERISA and the IRC, including the filing of reports required under the IRC or ERISA, except to the extent such non-compliance would not reasonably be expected to result in a liability of more than \$1,000,000. No Credit Party or ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan, except to the extent such failure would not reasonably be expected to result in a liability of more than \$1,000,000. No Credit Party or ERISA Affiliate has engaged in a prohibited transaction, as defined in Section 4975 of the IRC, in connection with any Plan, which would subject any Credit Party to a material tax on prohibited transactions imposed by Section 4975 of the IRC which would reasonably be expected to result in a liability of more than \$1,000,000.

(b) Except as set forth in DISCLOSURE SCHEDULE (3.12): (i) no Title IV Plan has any Unfunded Pension Liability; (ii) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (iii) there are no pending, or to the knowledge of any Credit Party, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (iv) no Credit Party or ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (v) within the last five years no Title IV Plan with Unfunded Pension Liabilities has been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of any Credit Party or ERISA Affiliate; and (vi) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by the Standard & Poor's Corporation or the equivalent

by another nationally recognized rating agency; PROVIDED, HOWEVER, that there shall not be a misrepresentation to the extent that any of the liabilities in (i) through (vi) above would not reasonably be expected, in the aggregate, to result in liability of more than \$1,000,000.

3.13 NO LITIGATION. No action, claim, lawsuit, demand, investigation or proceeding is now pending or, to the knowledge of any Credit Party, threatened against any Credit Party, before any Governmental Authority, or before any arbitrator or panel of arbitrators (collectively, "LITIGATION"), (a) which challenges any Credit Party's right or power to enter into or perform any of its obligations under the Loan Documents to which it is a party, or the validity or enforceability of any Loan Document or any action taken thereunder, or (b) which has a reasonable risk of being determined adversely to any Credit Party and which, if so determined, could reasonably be expected to have a Material Adverse Effect. Except as set forth on DISCLOSURE SCHEDULE (3.13), as of the Closing Date there is no Litigation pending or threatened which seeks damages in excess of \$500,000 or injunctive relief or alleges criminal misconduct of any Credit Party.

3.14 BROKERS. No broker or finder acting on behalf of any Credit Party brought about the obtaining, making or closing of the Loans or the Related Transactions, and no Credit Party has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

3.15 INTELLECTUAL PROPERTY. As of the Closing Date, each Credit Party owns or has rights to use all Intellectual Property necessary to continue to conduct its business as now or heretofore conducted by it or proposed to be conducted by it, and each such Patent, Trademark, Copyright and License is listed, together with application or registration numbers, as applicable, in DISCLOSURE SCHEDULE (3.15) hereto. Each Credit Party conducts its business and affairs without infringement of or interference with any Intellectual Property of any other Person, except as which could not reasonably be expected to have a Material Adverse Effect.

3.16 FULL DISCLOSURE. No information contained in this Agreement, any of the other Loan Documents, any Projections, Financial Statements or Collateral Reports or other reports from time to time delivered hereunder or any written statement furnished by or on behalf of any Credit Party to Administrative Agent or any Lender pursuant to the terms of this Agreement contains any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. The Liens granted to Administrative Agent, on behalf of itself and Lenders, and to the Vessel Mortgagee, on behalf of Administrative Agent and the Lenders, pursuant to the Collateral Documents will at all times be fully perfected first priority Liens in and to the Collateral described therein (except for motor vehicles), subject, as to priority, only to Permitted Encumbrances with respect to the Collateral other than Accounts.

3.17 ENVIRONMENTAL MATTERS.

(a) Except as set forth in DISCLOSURE SCHEDULE (3.17), as of the Closing Date: (i) the Real Estate is free of contamination from any Hazardous Material except for such contamination that would not materially adversely impact the value or marketability of such Real Estate and which would not result in Environmental Liabilities which could reasonably be expected to exceed \$200,000; (ii) no Credit Party has caused or suffered to occur any Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate which has not been remedied in accordance with applicable Environmental Law; (iii) the Credit Parties are and have been in compliance with all Environmental Laws, except for such noncompliance which would not result in Environmental Liabilities which could reasonably be expected to exceed \$200,000; (iv) the Credit Parties have obtained, and are in compliance with, all Environmental Permits required by Environmental Laws for the operations of their respective businesses as presently conducted or as proposed to be conducted, except where the failure to so obtain or comply with such Environmental Permits would not result in Environmental Liabilities which could reasonably be expected to exceed \$200,000, and all such Environmental Permits are valid, uncontested and in good standing; (v) no Credit Party is involved in operations or knows of any facts, circumstances or conditions, including any Releases of Hazardous Materials, that are likely to result in any Environmental Liabilities of such Credit Party which could reasonably be expected to exceed \$200,000, and no Credit Party has permitted any current or former tenant or occupant of the Real Estate to engage in any such operations; (vi) the estimated cost of compliance by the Credit Parties with Environmental Laws and Environmental Permits for each of the two Fiscal Years following the Closing Date is less than \$100,000; (vii) there is no pending or, to the knowledge of the Credit Parties, threatened Litigation against any Credit Party arising under or related to any Environmental Laws, Environmental Permits or Hazardous Material which seeks damages, penalties, fines, costs or expenses from any Credit Party in excess of \$200,000 or injunctive relief, or which alleges criminal misconduct by any Credit Party; (viii) no notice has been received by any Credit Party identifying it as a "potentially responsible party" or requesting information under CERCLA or analogous state statutes, and to the

knowledge of the Credit Parties, there are no facts, circumstances or conditions that may result in any Credit Party being identified as a "potentially responsible party" under CERCLA or analogous state statutes; and (ix) the Credit Parties have provided to Administrative Agent copies of all existing environmental reports, reviews and audits and all written information pertaining to actual or potential Environmental Liabilities, in each case relating to any Credit Party.

(b) Each Credit Party hereby acknowledges and agrees that Administrative Agent (i) is not now, and has not ever been, in control of any of the Real Estate or any Credit Party's affairs, and (ii) does not have the capacity through the provisions of the Loan Documents or otherwise to influence any Credit Party's conduct with respect to the ownership, operation or management of any of its Real Estate or compliance with Environmental Laws or Environmental Permits.

3.18 INSURANCE. DISCLOSURE SCHEDULE (3.18) lists all insurance policies of any nature maintained, as of the Closing Date, for current occurrences by each Credit Party, as well as a summary of the terms of each such policy.

3.19 DEPOSIT AND DISBURSEMENT ACCOUNTS. DISCLOSURE SCHEDULE (3.19) lists all banks and other financial institutions at which any Credit Party maintains deposits and/or other accounts as of the Closing Date, including any Disbursement Accounts, and such Schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number.

3.20 GOVERNMENT CONTRACTS. Except as set forth in DISCLOSURE SCHEDULE (3.20), as of the Closing Date, no Credit Party is a party to any contract or agreement with any Governmental Authority and no Credit Party's Accounts are subject to the Federal Assignment of Claims Act, as amended (31 U.S.C. Section 3727) or any similar state or local law.

3.21 CUSTOMER AND TRADE RELATIONS. As of the Closing Date, there exists no actual or, to the knowledge of any Credit Party, threatened termination or cancellation of: (a) the business relationship of any Credit Party with any customer or group of customers whose purchases or other activities during the preceding twelve (12) months caused them to be ranked among the ten largest customers of such Credit Party; or (b) the business relationship of any Credit Party with any supplier material to its operations.

3.22 AGREEMENTS AND OTHER DOCUMENTS. As of the Closing Date, each Credit Party has made available to Administrative Agent or its counsel, on behalf of Lenders, accurate and complete copies (or summaries) of all of the following agreements or documents to which it is subject and each of which are listed on DISCLOSURE SCHEDULE (3.22): (a) supply agreements and purchase agreements not terminable by such Credit Party within sixty (60) days following written notice issued by such Credit Party and involving transactions in excess of \$1,000,000 per annum; (b) any lease of Equipment having a remaining term of one year or longer and requiring aggregate rental and other payments in excess of \$500,000 per annum; (c) licenses and permits held by the Credit Parties, the absence of which could be reasonably likely to have a Material Adverse Effect; (d) instruments or documents evidencing Indebtedness of such Credit Party and any security interest granted by such Credit Party with respect thereto; and (e) instruments and agreements evidencing the issuance of any equity securities, warrants, rights or options to purchase equity securities of such Credit Party.

3.23 SOLVENCY. Both before and after giving effect to (a) the Loans and Letter of Credit Obligations to be made or extended on the Closing Date or such other date as Loans and Letter of Credit Obligations requested hereunder are made or extended, (b) the disbursement of the proceeds of such Loans pursuant to the instructions of Borrowers, (c) the Transaction, the Refinancing and the consummation of the other Related Transactions and (d) the payment and accrual of all transaction costs in connection with the foregoing, each Credit Party is Solvent.

3.24 AGREEMENT AND PLAN OF MERGER. As of the Closing Date, Borrower Representative has delivered to Administrative Agent a complete and correct copy of the Agreement and Plan of Merger (including, to the extent requested by Administrative Agent, all schedules, exhibits, amendments, supplements, modifications, assignments and all other documents delivered pursuant thereto or in connection therewith). As of the Closing Date, no Credit Party and no other Person party thereto is in default in the performance or compliance with any provisions thereof. The Agreement and Plan of Merger complies with, and the Transaction has been consummated in accordance with, all applicable laws. The Agreement and Plan of Merger is in full force and effect as of the Closing Date, and has not been terminated, rescinded or withdrawn. All requisite approvals by Governmental Authorities having jurisdiction over any Credit Party and other Persons referenced therein, with respect to the transactions contemplated by the Agreement and Plan of Merger, have been obtained, and no such approvals impose any conditions to the consummation of the transactions contemplated by the Agreement and Plan of Merger or to the conduct by any Credit Party of its business thereafter. To the best of each Credit Party's knowledge, as of the Closing Date, none of the representations or warranties made by any Credit Party in the

Agreement and Plan of Merger contain any untrue statement of a material fact or omit any fact necessary to make the statements therein not misleading. As of the Closing Date, except as could not reasonably be expected to have a Material Adverse Effect, each of the representations and warranties given by each applicable Credit Party in the Agreement and Plan of Merger is true and correct in all material respects.

3.25 YEAR 2000. Any reprogramming required to permit the proper functioning, in and following the year 2000, of (i) Borrowers' and their Subsidiaries' computer systems and (ii) equipment containing embedded microchips (including systems and equipment supplied by others) and the testing of all such systems and equipment, as so reprogrammed, are expected by Borrowers to be completed in all material respects by August 31, 1999. The cost to Borrowers of such reprogramming and testing and of the reasonably foreseeable consequences of year 2000 to Borrowers (including, without limitation, reprogramming errors) will not result in a Default, an Event of Default or a Material Adverse Effect. Except for such of the reprogramming referred to in the preceding sentence as may be necessary, the computer and management information systems of Borrowers and their Subsidiaries are and, with ordinary course upgrading and maintenance, will continue for the term of the Agreement to be able to interpret dates after December 31, 1999 except to the extent the failure to interpret such dates will not have a Material Adverse Effect.

4. FINANCIAL STATEMENTS AND INFORMATION

4.1 REPORTS AND NOTICES.

(a) Each Credit Party executing this Agreement hereby agrees that from and after the Closing Date and until the Termination Date, it shall deliver to Administrative Agent and/or Lenders, as required, the Financial Statements, notices, Projections and other information at the times, to the Persons and in the manner set forth in ANNEX E.

(b) Each Credit Party executing this Agreement hereby agrees that from and after the Closing Date and until the Termination Date, it shall deliver to Administrative Agent and/or Lenders, as required, the various Collateral Reports (including Borrowing Base Certificates in the form of Exhibit 4.1(b)) at the times, to the Persons and in the manner set forth in ANNEX F.

4.2 COMMUNICATION WITH ACCOUNTANTS. Each Credit Party executing this Agreement authorizes Administrative Agent and, so long as an Event of Default shall have occurred and be continuing or upon not less than two (2) Business Days' prior notice to the Borrower Representative if no Event of Default has occurred or is continuing, each Lender, to communicate directly with the independent certified public accountants (including KPMG LLP) of any Credit Party (provided that, if the related Credit Party so requests and no Event of Default has occurred, it may participate in any such communication), and authorizes and shall instruct those accountants and advisors to disclose and make available to Administrative Agent and each Lender any and all Financial Statements and other supporting financial documents, schedules and information relating to any Credit Party (including copies of any issued management letters) with respect to the business, financial condition and other affairs of any Credit Party.

5. AFFIRMATIVE COVENANTS

Each Credit Party executing this Credit Agreement jointly and severally agrees as to all Credit Parties that from and after the date hereof and until the Termination Date:

5.1 MAINTENANCE OF EXISTENCE AND CONDUCT OF BUSINESS. Each Credit Party shall: (a) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate or limited liability company existence and its rights and franchises; (b) continue to conduct its business substantially as now conducted or as otherwise permitted hereunder; (c) at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices; and (d) transact business only in such corporate (or limited liability company) and trade names as are set forth in DISCLOSURE SCHEDULE 5.1 or such other names as to which Administrative Agent has received advance notice pursuant to the provisions of the Security Agreement; PROVIDED that nothing contained in this SECTION 5.1 shall prohibit any Credit Party from being dissolved, making dispositions or taking any other action, in each case in accordance with other express provisions of the Agreement.

5.2 PAYMENT OF OBLIGATIONS.

(a) SUBJECT TO SECTION 5.2(b), each Credit Party shall pay and discharge or cause to be paid and discharged promptly all Charges payable by it, including (A) Charges imposed upon it, its income and profits, or any of its property (real, personal or mixed) and all Charges with respect to tax, social security and unemployment withholding with respect to its employees, and (B) lawful claims for labor, materials, supplies

and services or otherwise, before any thereof shall become past due, except where failure to do so would not have a Material Adverse Effect.

(b) Each Credit Party may in good faith contest, by appropriate proceedings, the validity or amount of any Charges or claims described in SECTION 5.2(a); PROVIDED, that (i) adequate reserves with respect to such contest are maintained on the books of such Credit Party, in accordance with GAAP, (ii) such contest is maintained and prosecuted continuously and with diligence and operates to suspend collection or enforcement of such Charges or claims or any Lien in respect thereof, (iii) none of the Collateral becomes subject to forfeiture or loss as a result of such contest, (iv) no Lien shall be imposed to secure payment of such Charges or claims other than Permitted Encumbrances and (v) such Credit Party shall promptly pay or discharge such contested Charges or claims and all additional charges, interest, penalties and expenses, if any, and shall deliver to Administrative Agent evidence acceptable to Administrative Agent of such compliance, payment or discharge, if such contest is terminated or discontinued adversely to such Credit Party or the conditions set forth in this SECTION 5.2(b) are no longer met.

5.3 BOOKS AND RECORDS. Each Credit Party shall keep adequate books and records with respect to its business activities in which proper entries, reflecting all financial transactions, are made in accordance with GAAP and on a basis consistent with the Financial Statements attached as DISCLOSURE SCHEDULE (3.4(a)).

5.4 INSURANCE; DAMAGE TO OR DESTRUCTION OF COLLATERAL.

(a) The Credit Parties shall, at their sole cost and expense, maintain the policies of insurance described on DISCLOSURE SCHEDULE (3.18) and the insurance required by the Collateral Documents in form and with insurers acceptable to Administrative Agent. If any Credit Party at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance required above or to pay all premiums relating thereto, Administrative Agent may at any time or times thereafter obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto which Administrative Agent deems advisable. Administrative Agent shall have no obligation to obtain insurance for any Credit Party or pay any premiums therefor. By doing so, Administrative Agent shall not be deemed to have waived any Default or Event of Default arising from any Credit Party's failure to maintain such insurance or pay any premiums therefor. All sums so disbursed, including attorneys' fees, court costs and other charges related thereto, shall be payable on demand by Borrowers to Administrative Agent and shall be additional Obligations hereunder secured by the Collateral.

(b) Administrative Agent reserves the right at any time upon any change in any Credit Party's risk profile (including any change in the product mix maintained by any Credit Party or any laws affecting the potential liability of such Credit Party) to require additional forms and limits of insurance to, in Administrative Agent's opinion, adequately protect both Administrative Agent's and Lender's interests in all or any portion of the Collateral and to ensure that each Credit Party is protected by insurance in amounts and with coverage customary for its industry. If requested by Administrative Agent, each Credit Party shall deliver to Administrative Agent from time to time a report of a reputable insurance broker, satisfactory to Administrative Agent, with respect to its insurance policies.

(c) Each Borrower shall deliver to Administrative Agent, in form and substance reasonably satisfactory to Administrative Agent, endorsements to (i) all "All Risk" insurance naming Administrative Agent, on behalf of itself and Lenders, as loss payee, and (ii) all general liability and other liability policies naming Administrative Agent, on behalf of itself and Lenders, as additional insured. Each Borrower irrevocably makes, constitutes and appoints Administrative Agent (and all officers, employees or agents designated by Administrative Agent), so long as any Default or Event of Default shall have occurred and be continuing or the anticipated insurance proceeds exceed \$5,000,000, as such Borrower's true and lawful agent and attorney-in-fact for the purpose of making, settling and adjusting claims under such Borrower's "All Risk" policies of insurance, endorsing the name of such Borrower on any check or other item of payment for the proceeds of such "All Risk" policies of insurance and for making all determinations and decisions with respect to such "All Risk" policies of insurance. Administrative Agent shall have no duty to exercise any rights or powers granted to it pursuant to the foregoing power-of-attorney. Borrower Representative shall promptly notify Administrative Agent of any loss, damage, or destruction to the Collateral in the amount of \$500,000 or more (or, with respect to Vessels, \$1,000,000 or more, as is provided in the Vessel Mortgage), whether or not covered by insurance. After deducting from such proceeds the expenses, if any, incurred by Administrative Agent in the collection or handling thereof, Administrative Agent may, at its option, apply such proceeds to the reduction of the obligations in accordance with SECTION 1.3(d), or permit or require Borrowers to use such money, or any part thereof, to replace, repair, restore or rebuild the Collateral in a diligent and expeditious manner with materials and workmanship of substantially the same quality as existed before the loss, damage or destruction. Notwithstanding the foregoing, if the casualty giving rise to such insurance proceeds would not reasonably be expected to have a Material Adverse Effect and such insurance proceeds do not

exceed \$5,000,000 in the aggregate, Administrative Agent shall permit Borrowers to replace, restore, repair or rebuild the property; PROVIDED that if Borrowers have not completed or entered into binding agreements to complete such replacement, restoration, repair or rebuilding within 180 days of such casualty, Administrative Agent may apply such insurance proceeds to the Obligations in accordance with SECTION 1.3(d). All insurance proceeds which are to be made available to Borrowers to replace, repair, restore or rebuild the Collateral shall be applied by Administrative Agent to reduce the outstanding principal balance of the Revolving Loan (which application shall not result in a permanent reduction of the Revolving Loan Commitment) and upon such application, Administrative Agent shall establish a Reserve against the Borrowing Base in an amount equal to the amount of such proceeds so applied. Thereafter, such funds shall be made available to Borrowers to provide funds to replace, repair, restore or rebuild the Collateral as follows: (i) the related Borrowers shall request a Revolving Credit Advance in the amount requested to be released; (ii) so long as the conditions set forth in SECTION 2.2 have been met, Revolving Lenders shall make such Revolving Credit Advance; and (iii) the Reserve established with respect to such insurance proceeds shall be reduced by the amount of such Revolving Credit Advance. To the extent not used to replace, repair, restore or rebuild the Collateral, such insurance proceeds shall be applied in accordance with SECTION 1.3(d) and the Reserve established hereunder shall be correspondingly reduced.

5.5 COMPLIANCE WITH LAWS. Each Credit Party shall comply with all federal, state, local and foreign laws and regulations applicable to it, including those relating to the ownership and operation of the Vessels in the U.S. coastwise trade, ownership and operation of the Real Estate, licensing, ERISA and labor matters and Environmental Laws and Environmental Permits, except to the extent that the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.6 SUPPLEMENTAL DISCLOSURE. From time to time as may be requested by Administrative Agent (which request will not be made more frequently than once each year absent the occurrence and continuance of a Default or an Event of Default), the Credit Parties shall supplement each Disclosure Schedule hereto, or any representation herein or in any other Loan Document, with respect to any matter hereafter arising which, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in such Disclosure Schedule or as an exception to such representation or which is necessary to correct any information in such Disclosure Schedule or representation which has been rendered inaccurate thereby (and, in the case of any supplements to any Disclosure Schedule, such Disclosure Schedule shall be appropriately marked to show the changes made therein); PROVIDED that (a) no such supplement to any such Disclosure Schedule or representation shall be or be deemed a waiver of any Default or Event of Default resulting from the matters disclosed therein, except as consented to by Administrative Agent and Requisite Lenders in writing; and (b) no supplement shall be required as to representations and warranties that relate solely to the Closing Date.

5.7 INTELLECTUAL PROPERTY. Each Credit Party will conduct its business and affairs without infringement of or interference with any Intellectual Property of any other Person, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.8 ENVIRONMENTAL MATTERS. Each Credit Party shall: (a) conduct its operations and keep and maintain its Real Estate in compliance with all Environmental Laws and Environmental Permits other than noncompliance which could not reasonably be expected to have a Material Adverse Effect; (b) implement any and all investigation, remediation, removal and response actions which are appropriate or necessary, in such Credit Party's reasonable judgment, to maintain the value and marketability of the Real Estate or to otherwise comply with Environmental Laws and Environmental Permits pertaining to the presence, generation, treatment, storage, use, disposal, transportation or Release of any Hazardous Material on, at, in, under, above, to, from or about any of its Real Estate; (c) notify Administrative Agent promptly after such Credit Party becomes aware of any violation of Environmental Laws or Environmental Permits or any Release on, at, in, under, above, to, from or about any Real Estate which is reasonably likely to result in Environmental Liabilities in excess of \$200,000; (d) promptly forward to Administrative Agent a copy of any order, notice, request for information or any communication or report received by such Credit Party in connection with any such violation or Release or any other matter relating to any Environmental Laws or Environmental Permits that could reasonably be expected to result in Environmental Liabilities in excess of \$200,000, in each case whether or not the Environmental Protection Agency or any Governmental Authority has taken or threatened any action in connection with any such violation, Release or other matter; and (e) shall use its best efforts to address and, where possible resolve, those environmental issues identified in the Environmental Reports no later than 180 days after the execution of this Agreement and shall notify Administrative Agent within 190 days following the Closing of the status thereof and shall provide periodic updates each quarter thereafter until all of the issues identified in the Environmental Reports have been resolved. If Administrative Agent at any time has a reasonable basis to believe that there may be a violation of any Environmental Laws or Environmental

Permits by any Credit Party or any Environmental Liability arising thereunder, or a Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate, which, in each case, could reasonably be expected to have a Material Adverse Effect, then each Credit Party shall, upon Administrative Agent's written request (i) cause the performance of such environmental audits including subsurface sampling of soil and groundwater, and preparation of such environmental reports, at Borrowers' expense, as Administrative Agent may from time to time reasonably request, which shall be conducted by reputable environmental consulting firms reasonably acceptable to Administrative Agent and shall be in form and substance reasonably acceptable to Administrative Agent, and (ii) permit Administrative Agent or its representatives to have access to all Real Estate for the purpose of conducting such environmental audits and testing as Administrative Agent reasonably deems appropriate, including subsurface sampling of soil and groundwater. Borrowers shall reimburse Administrative Agent for the costs of such audits and tests and the same will constitute a part of the Obligations secured hereunder.

5.9 LANDLORDS' AGREEMENTS, MORTGAGEE AGREEMENTS, CHARTERER AGREEMENTS AND BAILEE LETTERS. Unless waived by Administrative Agent, each Credit Party shall obtain within 60 days after the Closing Date a landlord's agreement, or bailee letter, as applicable, from the lessor of each leased property or with respect to any warehouse, processor or converter facility or other location where Collateral is located, which agreement or letter shall contain a waiver or subordination of all Liens or claims that the landlord or bailee may assert against such Collateral or the Collateral at that location, and shall otherwise be reasonably satisfactory in form and substance to Administrative Agent. Each Credit Party shall timely and fully pay and perform its obligations under all leases and other agreements with respect to each leased location or public warehouse where any Collateral is or may be located, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.10 INTEREST RATE PROTECTION. Within ninety (90) days after the Closing Date and for a period of three (3) years thereafter, Borrowers shall enter into and maintain interest rate cap, swap and/or collar agreements, or other agreements or arrangements designed to provide protection against fluctuations in interest rates, which shall be on terms, for periods and with counterparties reasonably acceptable to Administrative Agent, and by which Borrowers are protected against increases in interest rates from and after the date of such contracts as to a notional amount of not less than \$35,000,000.

5.11 FURTHER ASSURANCES. Each Credit Party executing this Agreement agrees that it shall and shall cause each other Credit Party (whether now existing or hereafter acquired) to, at such Credit Party's expense and upon request of Administrative Agent, duly execute and deliver, or cause to be duly executed and delivered, to Administrative Agent such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of Administrative Agent to carry out more effectually the provisions and purposes of this Agreement or any other Loan Document.

5.12 REAL ESTATE SURVEYS. Within sixty (60) days after the Closing Date Borrower Representative shall deliver or cause to be delivered to Administrative Agent (i) surveys, satisfactory to Administrative Agent in its sole discretion, of all Real Estate which is the subject of a Mortgage given by any Borrower, as mortgagor, to Administrative Agent, as mortgagee, as security for the obligations hereunder (collectively, the "SURVEYS"), and (ii) title endorsements removing all Survey exceptions from mortgagee title policies, or such other endorsements which are satisfactory to Administrative Agent in its sole discretion insuring that any easements or encroachments which are disclosed by the Surveys shall not interfere with the use and enjoyment of the mortgaged Real Estate and will not result in a reversion or forfeiture of title.

5.13 REAL ESTATE MORTGAGES. Borrowers shall within 60 days after the Closing Date deliver Mortgages and assignments of rents and leases (which in the case of Cardinal Holdings and Cardinal Services, Inc. may consist of amendments satisfactory to Administrative Agent of the existing Mortgages and assignments of rents and leases in favor of GE Capital as administrative agent on behalf of certain Prior Lenders) covering all of the Real Estate listed on SCHEDULE D-1 hereto (the "MORTGAGED PROPERTIES") together with: (a) title insurance policies, current as-built surveys, zoning letters and certificates of occupancy, in each case satisfactory in form and substance to Administrative Agent, in its sole discretion; (b) evidence that counterparts of the Mortgages have been recorded in all places to the extent necessary or desirable, in the judgment of Administrative Agent, to create a valid and enforceable first priority lien (subject to Permitted Encumbrances) on each Mortgaged Property in favor of Administrative Agent for the benefit of itself and Lenders (or in favor of such other trustee as may be required or desired under local law); and (c) an opinion of counsel in each state in which any Mortgaged Property is located in form and substance and from counsel satisfactory to Administrative Agent.

5.14 ADDITIONAL REAL ESTATE MORTGAGES. In the event that the Borrowers' aggregate investment in any Real Estate that is not required

on the Closing Date to be subject to a Mortgage increases to an amount greater than \$1,000,000, Borrowers shall within 30 days thereof deliver to Administrative Agent a Mortgage in respect of such Real Estate and such other documents as are specified in SECTION 5.13 hereto.

5.15 REPAYMENT OF INDEBTEDNESS TO MIDSOUTH NATIONAL BANK. The Borrowers shall repay the Indebtedness owed to MidSouth National Bank listed on SCHEDULE 6.3 hereto in full, and cause the corresponding Lien listed on SCHEDULE 6.7 hereto to be extinguished, by September 30, 1999.

5.16 CASH MANAGEMENT SYSTEM; BLOCKED ACCOUNT AGREEMENTS.

Within

60 days after the Closing Date, Borrowers shall deliver to Administrative Agent evidence satisfactory to Administrative Agent that Cash Management Systems complying with ANNEX C to the Agreement have been established and are being maintained in the manner set forth in such ANNEX C, together with copies of duly executed tri-party blocked account and lock box agreements, satisfactory to Administrative Agent, with the banks as required by ANNEX C.

5.17 ENVIRONMENTAL REPORTS. Borrowers shall deliver to Administrative Agent no later than 60 days after the Closing Date Phase I Environmental Site Assessment Reports, consistent with the most recent version of American Society for Testing and Materials (ASTM) Standard E 1527, and applicable state requirements, on all of the Real Estate, dated no more than 6 months prior to the Closing Date (except with respect to Cardinal Holdings and its Subsidiaries), prepared by environmental engineers satisfactory to Administrative Agent, all in form and substance satisfactory to Administrative Agent, in its sole discretion. Administrative Agent shall have received by the 30th day after the Closing Date letters executed by the environmental firms preparing such environmental reports, in form and substance satisfactory to Administrative Agent, authorizing Administrative Agent and Lenders to rely on such reports.

5.18 APPRAISALS. Borrowers shall deliver to Administrative Agent within 30 days after the Closing Date appraisals as to the Vessels subject to the Vessel Mortgage, each of which shall be in form and substance satisfactory to Administrative Agent.

5.19 ADDITIONAL REAL ESTATE DOCUMENTS. Borrowers shall deliver to Administrative Agent within 60 days after the Closing Date landlord consents, estoppel and subordination, nondisturbance and attornment agreements and/or landlord estoppels with respect to the leased Real Estate, as Administrative Agent may reasonably request.

5.20 PLEDGE OF STOCK OF CONCENTRIC RENTALS, S.A. Within 30 days after the Closing Date, Holdings shall (i) cause Concentric Rentals, S.A. to issue capital Stock and (ii) pledge 65% of such capital Stock to Administrative Agent (and shall deliver to Administrative Agent in connection therewith such legal opinions as Administrative Agent may reasonably request).

5.21 SUBORDINATION AGREEMENT. Borrowers shall use their best efforts to deliver to Administrative Agent within 10 days after the Closing Date the original signature of Barry J. Vinson to the Subordination Agreement dated as the date hereof among Kay S. Vinson, individually and as Trustee of the Joe D. Vinson Testamentary Trust, Barry J. Vinson, John H. Vinson, Jo Ann Vinson and Administrative Agent.

5.22 CODE SEARCH REPORTS. Borrowers shall deliver to Administrative Agent within 20 days after the Closing Date copies of Code search reports listing all effective financing statements that name any Credit Party as debtor, together with copies of such financing statements, none of which shall cover the Collateral, except for those relating to the Prior Lender Obligations (all of which shall be terminated as of the Closing Date) and except as set forth on SCHEDULE 6.7.

6. NEGATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that, without the prior written consent of Administrative Agent and the Requisite Lenders, from and after the date hereof until the Termination Date:

6.1 MERGERS, SUBSIDIARIES, ETC. No Credit Party shall directly or indirectly, by operation of law or otherwise, (a) form or acquire any Subsidiary, or (b) merge with, consolidate with, acquire all or substantially all of the assets or capital stock of, or otherwise combine with or acquire, any Person or any operating division of any Person. Notwithstanding the foregoing, any Borrower (or Holdings, so long as contemporaneously therewith, all assets so acquired are transferred to a Borrower), may acquire all or substantially all of the assets or capital Stock of any Person (the "TARGET") (in each case, a "PERMITTED ACQUISITION") subject to the satisfaction of each of the following conditions (provided that nothing contained in this SECTION 6.1 shall prohibit any Borrower from merging into another Borrower or from being dissolved so long as in connection therewith all of its assets are transferred to other Borrowers):

(i) Administrative Agent shall receive at least fifteen (15) days' prior written notice of such proposed Permitted Acquisition, which notice shall include a reasonably detailed description of such proposed Permitted Acquisition;

(ii) such Permitted Acquisition shall only involve assets of which at least 90% (based on fair market value) are located in the United States and/or Canada and comprising a business, or those assets of a business, of the type engaged in by such Borrower as of the Closing Date or a business reasonably related thereto, and which business would not subject Administrative Agent or any Lender to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or any other Loan Documents other than approvals applicable to the exercise of such rights and remedies with respect to such Borrower prior to such Permitted Acquisition;

(iii) such Permitted Acquisition shall be consensual and shall have been approved by the Target's board of directors;

(iv) no additional indebtedness, Guaranteed Indebtedness, contingent obligations or other liabilities shall be incurred, assumed or otherwise be reflected on a consolidated balance sheet of such Borrower and Target after giving effect to such Permitted Acquisition, except ordinary course trade payables and accrued expenses (to the extent of current assets being acquired of the Target) and unsecured Indebtedness of the Target to the extent no Default or Event of Default shall have occurred and be continuing or would result after giving effect to such Permitted Acquisition; PROVIDED that; the aggregate amount of unsecured Indebtedness, contingent obligations (excluding "earn-outs" from future earnings of the acquired entity) and other liabilities assumed in the acquisition or retained by the Target after giving effect to the acquisition shall not exceed 30% of the total acquisition price of the Permitted Acquisition;

(v) [Reserved.]

(vi) the Target shall not have incurred an operating loss for the trailing twelve-month period preceding the date of the Permitted Acquisition, as determined based upon the Target's Financial Statements (computed on a pro forma basis excluding Target's private ownership expenses to the extent such expenses will not be continuing after giving effect to the Acquisition), and shall not be projected to have an operating loss during the twelve-month period following the date of the Permitted Acquisition, based on reasonable projections with respect to the Target contained in the Acquisition Projections referred to in SECTION 6.1(ix)(b);

(vii) the business and assets acquired in such Permitted Acquisition shall be free and clear of all Liens (other than Permitted Encumbrances);

(viii) at or prior to the closing of any Permitted Acquisition (or within 30 days after such closing in the case of Real Estate), Administrative Agent will be granted a first priority perfected Lien (subject to Permitted Encumbrances) in all assets acquired pursuant thereto or in the assets and capital stock of the Target (or in the case of Real Estate, only those assets the aggregate Borrowers' investment in which exceeds \$1,000,000), and Holdings and such Borrower and the Target shall have executed such documents and taken such actions as may be required by Administrative Agent in connection therewith;

(ix) Concurrently with delivery of the notice referred to in CLAUSE (i) above, such Borrower shall have delivered to Administrative Agent, in form and substance satisfactory to Administrative Agent:

(A) A PRO FORMA CONSOLIDATED BALANCE SHEET OF HOLDINGS AND ITS SUBSIDIARIES (THE "ACQUISITION PRO FORMA"), based on recent financial data, which shall be complete and shall accurately and fairly represent the assets, liabilities, financial condition and results of operations of Holdings and its Subsidiaries in accordance with GAAP consistently applied, but taking into account such Permitted Acquisition and the equity contribution made in connection therewith, and such Acquisition Pro Forma shall reflect that (x) on a pro forma basis, no Event of Default shall have occurred and be continuing or would result after giving effect to such Permitted Acquisition and the Borrowers would have been in compliance with the financial covenants set forth in ANNEX G for the four quarter period reflected in the Compliance Certificate most recently delivered to Agent pursuant to ANNEX E prior to the consummation of such Permitted Acquisition (giving effect to such Permitted Acquisition as if made on the first day of such period), and (y) the Acquisition Projections (as hereinafter defined) shall reflect that the average daily Net Borrowing Availability, after giving effect to payment of accounts payable (including those assumed in connection with such Permitted Acquisition) consistent with past practices, of \$5,000,000 shall continue for at least 90 days after the consummation of such Permitted Acquisition, PROVIDED that such requisite average daily Net Borrowing Availability shall be \$3,000,000 if the proceeds used to fund such Permitted

Acquisition are comprised solely of equity contributions and/or Stock of Holdings and there are no contingent obligations or liabilities associated with the Target assumed in connection with such Permitted Acquisition;

(B) updated versions of the most recently delivered Projections covering the one (1) year period commencing on the date of such Permitted Acquisition and otherwise prepared in accordance with the Projections (the "ACQUISITION PROJECTIONS") and based upon historical financial data of a recent date satisfactory to Administrative Agent, taking into account such Permitted Acquisition; and

(C) A certificate of the chief financial officer of Holdings and such Borrower to the effect that: (w) such Borrower (after taking into consideration all rights of contribution and indemnity such borrower has against Holdings and each other Subsidiary of Holdings) will be Solvent upon the consummation of the Permitted Acquisition; (x) the Acquisition Pro Forma fairly presents the financial condition of Holdings and such Borrower (on a consolidated basis) as of the date thereof after giving effect to the Permitted Acquisition; (y) the Acquisition Projections are reasonable estimates of the future financial performance of Holdings and such Borrower subsequent to the date thereof based upon the historical performance of Holdings, such Borrower and the Target; and (z) Holdings and such Borrower have completed their due diligence investigation with respect to the Target and such Permitted Acquisition, which investigation was conducted in a manner similar to that which would have been conducted by a prudent purchaser of a comparable business and the results of which investigation were delivered to Administrative Agent and Lenders;

(x) on or prior to the date of such Permitted Acquisition, Administrative Agent shall have received, in form and substance satisfactory to Administrative Agent, all opinions, certificates, lien search results and other documents reasonably requested by Administrative Agent; and

(xi) at the time of such Permitted Acquisition and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing.

6.2 INVESTMENTS; LOANS AND ADVANCES. No Credit Party shall make or permit to exist any investment in, or make, accrue or permit to exist loans or advances of money to, any Person, through the direct or indirect lending of money, holding of securities or otherwise, except as disclosed on SCHEDULE 6.2 hereto or as otherwise expressly permitted by SECTION 6 hereto, and except that (a) Borrowers may hold investments comprised of notes payable, or stock or other securities issued by Account Debtors to Borrowers pursuant to negotiated agreements with respect to settlement of such Account Debtor's Accounts in the ordinary course of business, so long as the aggregate amount of such Accounts so settled by Borrowers does not exceed \$500,000 at any one time outstanding; (b) any Credit Party may make investments in, or loans to, any other Credit Party (PROVIDED that the aggregate outstanding amount of such investments in and loans to Foreign Subsidiaries shall not exceed \$1,000,000 at any time) and (c) so long as Administrative Agent has not delivered an Activation Notice, no Default or Event of Default shall have occurred and be continuing and (except during the 60-day period beginning on the Closing Date) no Revolving Loans (other than Letter of Credit Obligations) are then outstanding, Borrowers may make investments, subject to Control Letters in favor of Administrative Agent for the benefit of Lenders or otherwise subject to a perfected security interest in favor of Administrative Agent for the benefit of Lenders, in (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within one year from the date of acquisition thereof, (ii) commercial paper maturing no more than one year from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc., (iii) certificates of deposit, maturing no more than one year from the date of creation thereof, issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than \$300,000,000 and having a senior secured rating of "A" or better by a nationally recognized rating agency or by any Lender (an "A RATED BANK"), (iv) time deposits, maturing no more than 30 days from the date of creation thereof with A Rated Banks, and (v) other investments not exceeding \$100,000 in the aggregate at any time outstanding.

6.3 INDEBTEDNESS. No Credit Party shall create, incur, assume or permit to exist any Indebtedness, except (without duplication) (i) Indebtedness secured by purchase money security interests and Capital Leases permitted in CLAUSE (c) of SECTION 6.7, (ii) the Loans and the other Obligations, (iii) deferred taxes, (iv) unfunded pension fund and other employee benefit plan obligations and liabilities to the extent they are permitted to remain unfunded under applicable law, (v) existing Indebtedness described in DISCLOSURE SCHEDULE (6.3) and refinancings thereof or amendments or modifications thereto which do not have the effect of increasing the principal amount thereof or changing the

amortization thereof (other than to extend the same) and which are otherwise on terms and conditions no less favorable to any Credit Party, Administrative Agent or any Lender, as determined by Administrative Agent, than the terms of the Indebtedness being refinanced, amended or modified; (vi) Indebtedness specifically permitted under SECTION 6.1, (vii) Indebtedness required under the interest rate protection agreements referred to in SECTION 5.10; and (viii) Indebtedness consisting of intercompany loans and advances made by any Borrower to any other Credit Party that is a Guarantor or by any Guarantor to any Borrower; PROVIDED that (A) Borrowers shall record all intercompany transactions on their books and records in a manner satisfactory to Administrative Agent; (B) the obligations of Borrowers under any such intercompany transactions shall be subordinated to the Obligations of Borrowers hereunder in a manner satisfactory to Administrative Agent; (C) at the time any such intercompany loan or advance is made by any Borrower and after giving effect thereto, such Borrower shall be Solvent; and (D) no Default or Event of Default would occur and be continuing after giving effect to any such proposed such intercompany loan.

(a) No Credit Party shall, directly or indirectly, voluntarily purchase, redeem, defease or prepay any principal of, premium, if any, interest or other amount payable in respect of any Indebtedness, other than (i) the Obligations and (ii) Indebtedness secured by a Permitted Encumbrance if the asset securing such Indebtedness has been sold or otherwise disposed of in accordance with SECTION 6.8(b).

6.4 EMPLOYEE LOANS AND AFFILIATE TRANSACTIONS.

(a) Except as otherwise expressly permitted in this SECTION 6 with respect to Affiliates, no Credit Party shall enter into or be a party to any transaction with any other Credit Party or any Affiliate thereof except in the ordinary course of and pursuant to the reasonable requirements of such Credit Party's business and upon fair and reasonable terms that are no less favorable to such Credit Party than would be obtained in a comparable arm's length transaction with a Person not an Affiliate of such Credit Party. In addition, if any such transaction or series of related transactions involves payments in excess of \$1,000,000 in the aggregate, the terms of these transactions (other than transactions in the ordinary course of business entered into with portfolio companies of First Reserve Corporation on an arm's length basis) must be disclosed in advance to Administrative Agent and Lenders. All such transactions existing as of the Closing Date (after giving effect to the Related Transactions) are described on DISCLOSURE SCHEDULE (6.4(a)).

(b) No Credit Party shall enter into any lending or borrowing transaction with any employees of any Credit Party, except loans or advances to their respective employees (i) for travel expenses, relocation costs and other business purposes up to a maximum of \$500,000 in the aggregate at any one time outstanding, and (ii) in the form of non-cash financing for the purchase of stock of Holdings by employees.

6.5 CAPITAL STRUCTURE AND BUSINESS. No Credit Party shall (a) make any changes in any of its business objectives, purposes or operations which could reasonably be expected to have or result in a Material Adverse Effect, (b) make any change in its capital structure as described on DISCLOSURE SCHEDULE (3.9), including the issuance of any shares of Stock, warrants or other securities convertible into Stock or any revision of the terms of its outstanding Stock, except that Holdings may issue additional common Stock, warrants, options and similar equity instruments or (c) amend its charter or bylaws (or analogous documents) in a manner which would adversely affect Administrative Agent or Lenders or such Credit Party's duty or ability to repay the Obligations. No Credit Party shall engage in any business other than the businesses currently engaged in by it or businesses reasonably related thereto, PROVIDED that Holdings shall not engage in any business or other activities other than the owning of the Stock of Borrowers and any other Subsidiary formed or acquired in accordance with the Agreement.

6.6 GUARANTEED INDEBTEDNESS. No Credit Party shall create, incur, assume or permit to exist any Guaranteed Indebtedness except (a) by endorsement of instruments or items of payment for deposit to the account of any Credit Party, and (b) for Guaranteed Indebtedness incurred for the benefit of any other Credit Party if the primary obligation is not prohibited by this Agreement other than Indebtedness, if any, of a Target existing at the time such Target is acquired.

6.7 LIENS. No Credit Party shall create, incur, assume or permit to exist any Lien on or with respect to its Accounts or any of its other properties or assets (whether now owned or hereafter acquired) except for (a) Permitted Encumbrances; (b) Liens created after the date hereof by conditional sale or other title retention agreements (including Capital Leases) or in connection with purchase money Indebtedness with respect to Equipment (other than Vessels) and Fixtures acquired by any Credit Party in the ordinary course of business, involving the incurrence of an aggregate amount of purchase money Indebtedness and Capital Lease Obligations of not more than \$2,000,000 outstanding at any one time for all such Liens (PROVIDED that such Liens attach only to the assets subject to such purchase money debt and such Indebtedness is incurred within thirty (30) days following such purchase and does not exceed 100%

of the purchase price of the subject assets); and (c) other Liens securing Indebtedness not exceeding \$250,000 in the aggregate at any time outstanding, so long as such Liens do not attach to any Accounts, Vessels or Real Estate Collateral. In addition, no Credit Party shall become a party to any agreement, note, indenture or instrument, or take any other action, which would prohibit the creation of a Lien on any of its properties or other assets in favor of Administrative Agent, on behalf of itself and Lenders, as additional collateral for the Obligations, except operating leases, Capital Leases, Licenses or instruments creating Liens permitted by SECTION 6.7(b) above, which prohibit Liens upon the assets that are subject thereto. With respect to any assets a Lien on which is permitted pursuant to CLAUSE (b) above, Administrative Agent shall have the authority (notwithstanding any provision of SECTION 11.2 hereof) and agrees on reasonable prior written notice to release its Lien on such assets and shall execute and deliver to Borrower Representative, at Borrowers' expense, appropriate UCC-3 termination statements and other releases as reasonably requested by Borrower Representative.

6.8 SALE OF STOCK AND ASSETS. No Credit Party shall sell, transfer, convey, assign or otherwise dispose of any of its properties or other assets, including its capital Stock or the capital Stock of any of its Subsidiaries (whether in a public or a private offering or otherwise but subject, in the case of Holdings, to the provisions of SECTION 6.5(b)) or any of their Accounts, other than (a) the sale, transfer, conveyance or other disposition by a Credit Party of assets that are obsolete or no longer used or useful in such Credit Party's business and having value not exceeding \$1,000,000 in any single transaction or \$2,000,000 in the aggregate in any Fiscal Year, (b) sales and leases of Inventory and other assets in the ordinary course of business and (c) the sale, transfer, conveyance or other disposition by the Credit Parties of other assets having a value not exceeding \$500,000 in any single transaction or \$1,000,000 in the aggregate in any Fiscal Year. With respect to any disposition of assets or other properties permitted pursuant to CLAUSE (c) above, Administrative Agent shall have the authority (notwithstanding any provision of SECTION 11.2 hereof) and agrees on reasonable prior written notice to release its Lien on such assets or other properties in order to permit the applicable Credit Party to effect such disposition and shall execute and deliver to Borrower Representative, at Borrowers' expense, appropriate UCC-3 termination statements and other releases as reasonably requested by Borrower Representative.

6.9 ERISA. No Credit Party shall, or shall cause or permit any ERISA Affiliate to fail to make a required contribution or take other action with respect to a Qualified Plan that results in, or would be reasonably likely to result in, the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA in an amount in excess of \$1,000,000.

6.10 FINANCIAL COVENANTS. Borrowers shall not breach or fail to comply with any of the Financial Covenants (the "FINANCIAL COVENANTS") set forth in ANNEX G.

6.11 HAZARDOUS MATERIALS. No Credit Party shall cause or permit a Release of any Hazardous Material on, at, in, under, above, to, from or about any of the Real Estate where such Release would (a) violate in any respect, or form the basis for any Environmental Liabilities under, any Environmental Laws or Environmental Permits or (b) otherwise adversely impact the value or marketability of any of the Real Estate or any of the Collateral, other than such violations or impacts which could not reasonably be expected to have a Material Adverse Effect.

6.12 SALE-LEASEBACKS. No Credit Party shall engage in any sale-leaseback, synthetic lease or similar transaction involving any of its assets.

6.13 CANCELLATION OF INDEBTEDNESS. No Credit Party shall cancel any claim or debt owing to it, except for reasonable consideration negotiated on an arm's-length basis and in the ordinary course of its business consistent with past practices.

6.14 RESTRICTED PAYMENTS. No Credit Party shall make any Restricted Payment, except (a) payments by Borrowers to Holdings to fund payment of Holdings' cash Taxes due and payable, (b) payments by Borrowers to Holdings to cover Holdings' operating expenses, (c) employee loans permitted under SECTION 6.4(b) above, and (d) payments by any Subsidiary of a Borrower to such Borrower.

6.15 CHANGE OF CORPORATE NAME OR LOCATION; CHANGE OF FISCAL YEAR. No Credit Party shall (a) change its corporate (or limited liability company) name, or (b) change its chief executive office, principal place of business, corporate (or limited liability company) offices or warehouses or locations at which Collateral is held or stored, or the location of its records concerning the Collateral, in any case without at least thirty (30) days prior written notice to Administrative Agent and after Administrative Agent's written acknowledgment that any reasonable action requested by Administrative Agent in connection therewith, including to continue the perfection of any Liens in favor of Administrative Agent, on behalf of Lenders, in any Collateral, has been completed or taken, and PROVIDED that any such new location shall be in the continental United States and FURTHER PROVIDED that Vessels may be

located outside the United States if such location could not reasonably be expected to have a Material Adverse Effect on the priority of Liens on such Vessels under the Vessel Mortgage or the receipt of earnings from such Vessels. Without limiting the foregoing, no Credit Party shall change its name, identity or corporate (or limited liability company) structure in any manner which might make any financing or continuation statement filed in connection herewith seriously misleading within the meaning of Section 9-402(7) of the Code or any other then applicable provision of the Code except upon prior written notice to Administrative Agent and Lenders and after Administrative Agent's written acknowledgment that any reasonable action requested by Administrative Agent in connection therewith, including to continue the perfection of any Liens in favor of Administrative Agent, on behalf of Lenders, in any Collateral, has been completed or taken. No Credit Party shall change its Fiscal Year.

6.16 NO IMPAIRMENT OF INTERCOMPANY TRANSFERS. No Credit Party shall directly or indirectly enter into or become bound by any agreement, instrument, indenture or other obligation (other than this Agreement and the other Loan Documents) which could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of dividends or distributions or the making or repayment of intercompany loans by a Subsidiary of any Borrower to such Borrower.

6.17 NO SPECULATIVE TRANSACTIONS. No Credit Party shall engage in any transaction involving commodity options, futures contracts or similar transactions, except solely to hedge against fluctuations in the prices of commodities owned or purchased by it and the values of foreign currencies receivable or payable by it and interest swaps, caps or collars.

6.18 LEASES. No Credit Party shall enter into any operating lease for Equipment or Real Estate, if the aggregate of all such operating lease payments payable in any calendar year on a consolidated basis would exceed \$3,000,000.

6.19 CHANGES RELATING TO SUBORDINATED DEBT. No Credit Party shall change or amend the terms of any Subordinated Debt (or any indenture or agreement in connection therewith) if the effect of such amendment is to: (a) increase the interest rate on such Subordinated Debt; (b) change the dates upon which payments of principal or interest are due on such Subordinated Debt other than to extend such dates; (c) change any default or event of default other than to delete or make less restrictive any default provision therein, or add any covenant with respect to such Subordinated Debt; (d) change the redemption or prepayment provisions of such Subordinated Debt other than to extend the dates therefor or to reduce the premiums payable in connection therewith; (e) grant any security or collateral to secure payment of such Subordinated Debt; or (f) change or amend any other term if such change or amendment would materially increase the obligations of the obligor or confer additional material rights to the holder of such Subordinated Debt in a manner adverse to any Credit Party, Administrative Agent or any Lender.

6.20 ACQUISITION OF NEW REAL ESTATE AND VESSELS. No Credit Party shall acquire any Real Estate (including a leasehold interest) through an investment of \$1,000,000 or more or Vessel unless such Credit Party's interest therein is subject to a Mortgage or Vessel Mortgage thereon properly recorded and granting the mortgagee a first priority perfected or preferred lien thereon for the benefit of Administrative Agent and the Lenders and in connection therewith such Credit Party shall have delivered to Administrative Agent evidence thereof (including an opinion of counsel in form and substance reasonably satisfactory to Administrative Agent) and in respect of such Real Estate the items contemplated by SECTION 5.13.

6.21 VESSEL CHARTERS. No Credit Party shall enter into any charter or similar agreements or arrangements with respect to any Vessel other than in the ordinary course of business.

6.22 WAIVER OF STAY, EXTENSION OR USURY LAWS. No Credit Party shall (to the extent that it may lawfully agree not to do so) at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or forgive such Credit Party from paying all or any portion of the principal of or interest on the Notes or any of the other Obligations as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Agreement or any of the other Loan Documents; and (to the extent that it may lawfully do so) each Credit Party hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to Administrative Agent, but will suffer and permit the execution of every such power as though no such law had been enacted.

6.23 CAPITAL EXPENDITURES. The Credit Parties shall not incur Capital Expenditures in any Fiscal Year in excess of 110% of the amount budgeted therefor in the Operating Plan delivered to Administrative Agent pursuant to Section (b) of Annex E hereto, PROVIDED that the Credit Parties may incur Capital Expenditures in excess of such amount in any Fiscal Year so long as at least \$5,000,000 remains unborrowed and

available to be borrowed under the Revolving Credit Facility for the remainder of such Fiscal Year.

7. TERM

7.1 TERMINATION. The financing arrangements contemplated hereby shall be in effect until the Commitment Termination Date, and the Loans and all other Obligations (other than the Term Loan B) shall be automatically due and payable in full on such date.

7.2 SURVIVAL OF OBLIGATIONS UPON TERMINATION OF FINANCING ARRANGEMENTS. Except as otherwise expressly provided for in the Loan Documents, no termination or cancellation (regardless of cause or procedure) of any financing arrangement under this Agreement shall in any way affect or impair the obligations, duties and liabilities of Borrowers or the rights of Administrative Agent and Lenders relating to any unpaid portion of the Loans or any other Obligations, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Commitment Termination Date. Except as otherwise expressly provided herein or in any other Loan Document, all undertakings, agreements, covenants, warranties and representations of or binding upon Borrowers, and all rights of Administrative Agent and each Lender, all as contained in the Loan Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date; provided, however, that in all events the provisions of Section 11, the payment obligations under Sections 1.15 and 1.16 and the indemnities contained in the Loan Documents shall survive the Termination Date.

8. EVENTS OF DEFAULT; RIGHTS AND REMEDIES

8.1 EVENTS OF DEFAULT. The occurrence and continuance of any one or more of the following events (regardless of the reason therefor) shall constitute an "EVENT OF DEFAULT" hereunder:

(a) Borrowers (i) fail to make any payment of principal of, or interest on, or Fees owing in respect of, the Loans or any of the other Obligations when due and payable, or (ii) fail to pay or reimburse Administrative Agent or Lenders for any expense reimbursable hereunder or under any other Loan Document within ten (10) Business Days following Administrative Agent's demand for such reimbursement or payment of expenses.

(b) Any Credit Party shall fail or neglect to perform, keep or observe any of the provisions of SECTIONS 1.4, 1.8, 5.4 or 6, or any of the provisions set forth in ANNEXES C or G, respectively.

(c) Any Borrower shall fail or neglect to perform, keep or observe any of the provisions of SECTION 4 or any provisions set forth in ANNEXES E or F, respectively, and the same shall remain unremedied for ten (10) days or more.

(d) Any Credit Party shall fail or neglect to perform, keep or observe any other provision of this Agreement or of any of the other Loan Documents (other than any provision embodied in or covered by any other clause of this SECTION 8.1) and the same shall remain unremedied for thirty (30) days or more after the earlier to occur of actual knowledge by any Credit Party or notice from Administrative Agent.

(e) A default or breach shall occur and be continuing under any other agreement, document or instrument to which any Credit Party is a party relating to Indebtedness incurred by it which is not cured within any applicable grace period, and such default or breach (i) involves the failure to make any payment when due in respect of any Indebtedness (other than the Obligations) of any Credit Party in excess of \$500,000 in the aggregate, or (ii) causes, or permits any holder of such Indebtedness or a trustee to cause, Indebtedness or a portion thereof in excess of \$500,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, regardless of whether such right is exercised by such holder or trustee.

(f) Any information contained in any Borrowing Base Certificate is untrue or incorrect in any respect (other than insignificant clerical errors), or any representation or warranty herein or in any loan document or in any written statement, report, financial statement or certificate (other than a borrowing base certificate) made or delivered to administrative agent or any lender by any credit party is untrue or incorrect in any material respect as of the date when made or deemed made.

(g) Assets of any Credit Party with a fair market value of \$500,000 or more shall be attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors of any Credit Party and such condition continues for thirty (30) days or more.

(h) A case or proceeding shall have been commenced against any Credit Party seeking a decree or order in respect of any Credit Party (i) under Title 11 of the United States Code, as now constituted or hereafter

amended or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for any Credit Party or of any substantial part of any such Person's assets, or (iii) ordering the winding-up or liquidation of the affairs of any Credit Party, and such case or proceeding shall remain undismissed or unstayed for sixty (60) days or more or such court shall enter a decree or order granting the relief sought in such case or proceeding.

(i) Any Credit Party (i) shall file a petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) shall fail to contest in a timely and appropriate manner or shall consent to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of any Credit Party or of any substantial part of any such Person's assets, (iii) shall make an assignment for the benefit of creditors, (iv) shall take any corporate (or limited liability company) action in furtherance of any of the foregoing, or (v) shall admit in writing its inability to, or shall be generally unable to, pay its debts as such debts become due.

(j) A final judgment or judgments for the payment of money in excess of \$1,000,000 in the aggregate at any time outstanding shall be rendered against any Credit Party and the same shall not, within thirty (30) days after the entry thereof, have been discharged or execution thereof stayed or bonded pending appeal, or shall not have been discharged prior to the expiration of any such stay.

(k) Any material provision of any Loan Document shall for any reason cease to be valid, binding and enforceable in accordance with its terms (or any Credit Party shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms), or any security interest created under any Loan Document shall cease to be a valid and perfected first priority security interest or Lien (except as otherwise permitted herein or therein) in any of the Collateral purported to be covered thereby.

(l) Any Change of Control shall occur.

8.2 REMEDIES.

(a) If any Event of Default shall have occurred and be continuing or if a Default shall have occurred and be continuing and Administrative Agent or Requisite Revolving Lenders shall have determined not to make any Advances or incur any Letter of Credit Obligations so long as that specific Default is continuing, Administrative Agent may (and at the written request of the Requisite Revolving Lenders shall), upon written notice to the Borrower Representative, suspend this facility with respect to further Advances and/or the incurrence of further Letter of Credit Obligations whereupon any further Advances and Letter of Credit Obligations shall be made or extended in Administrative Agent's sole discretion (or in the sole discretion of the Requisite Revolving Lenders, if such suspension occurred at their direction) so long as such Default or Event of Default is continuing. If any Event of Default shall have occurred and be continuing, Administrative Agent may (and at the written request of Requisite Lenders shall), without notice except as otherwise expressly provided herein, increase the rate of interest applicable to the Loans and the Letter of Credit Fees to the Default Rate.

(b) If any Event of Default shall have occurred and be continuing, Administrative Agent may (and at the written request of the Requisite Lenders shall), upon written notice to the Borrower Representative, (i) terminate this facility with respect to further Advances or the incurrence of further Letter of Credit Obligations; (ii) declare all or any portion of the Obligations, including all or any portion of any Loan, to be forthwith due and payable, and require that the Letter of Credit Obligations be cash collateralized as provided in ANNEX B, all without presentment, demand, protest or further notice of any kind, all of which are expressly waived by Borrower Representative and each other Credit Party; and (iii) exercise any rights and remedies provided to Administrative Agent under the Loan Documents and/or at law or equity, including all remedies provided under the Code; PROVIDED, HOWEVER, that upon the occurrence of an Event of Default specified in SECTIONS 8.1(h) or (i), with respect to any Borrower, this facility shall automatically terminate with respect to further Advances and the incurrence of further Letter of Credit Obligations and all of the Obligations, including the Revolving Loan, shall become immediately due and payable without declaration, notice or demand by any Person.

8.3 WAIVERS BY CREDIT PARTIES. Except as otherwise provided for in this Agreement, the other Loan Documents or by applicable law, each Credit Party waives: (a) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper

and guaranties at any time held by Administrative Agent on which any Credit Party may in any way be liable, and hereby ratifies and confirms whatever Administrative Agent may do in this regard, (b) all rights to notice and a hearing prior to Administrative Agent's taking possession or control of, or to Administrative Agent's replevy, attachment or levy upon, the Collateral or any bond or security which might be required by any court prior to allowing Administrative Agent to exercise any of its remedies, and (c) the benefit of all valuation, appraisal, marshalling and exemption laws.

9. ASSIGNMENT AND PARTICIPATIONS; APPOINTMENT OF ADMINISTRATIVE AGENT

9.1 ASSIGNMENT AND PARTICIPATIONS.

(a) The Credit Parties signatory hereto consent to any Lender's assignment of, and/or sale of participations in, at any time or times, the Loan Documents, Loans, Letter of Credit Obligations and any Commitment or of any portion thereof or interest therein, including any Lender's rights, title, interests, remedies, powers or duties thereunder, whether evidenced by a writing or not, in accordance with this SECTION 9.1. Any assignment by a Lender shall (i) require the consent of the Borrower Representative and Administrative Agent (which in either case shall not be unreasonably withheld or delayed) and the execution of an assignment agreement (an "ASSIGNMENT AGREEMENT") substantially in the form attached hereto as EXHIBIT 9.1(a) and otherwise in form and substance satisfactory to, and acknowledged by, the Borrower Representative and Administrative Agent; (ii) be conditioned on such assignee Lender representing to the assigning Lender and Administrative Agent that it is purchasing the applicable Loans to be assigned to it for its own account, for investment purposes and not with a view to the distribution thereof; (iii) if a partial assignment, be in an amount at least equal to \$5,000,000 and, after giving effect to any such partial assignment, the assigning Lender shall have retained Commitments in an amount at least equal to \$5,000,000; and (iv) include a payment to Administrative Agent of an assignment fee of \$3,500. In the case of an assignment by a Lender under this SECTION 9.1, the assignee shall have, to the extent of such assignment, the same rights, benefits and obligations as it would if it were a Lender hereunder. The assigning Lender shall be relieved of its obligations hereunder with respect to its Commitments or assigned portion thereof from and after the date of such assignment. Each Borrower hereby acknowledges and agrees that any assignment will give rise to a direct obligation of such Borrower to the assignee and that the assignee shall be considered to be a "Lender". In all instances, each Lender's liability to make Loans hereunder shall be several and not joint and shall be limited to such Lender's Pro Rata Share of the applicable Commitment. In the event Administrative Agent or any Lender assigns or otherwise transfers all or any part of a Note, Administrative Agent or any such Lender shall so notify Borrower Representative and Borrowers shall, upon the request of Administrative Agent or such Lender, execute new Notes in exchange for the Notes being assigned. Notwithstanding the foregoing provisions of this SECTION 9.1(a), any Lender may at any time pledge or assign all or any portion of such Lender's rights under this Agreement and the other Loan Documents to a Federal Reserve Bank; PROVIDED, HOWEVER, that no such pledge or assignment shall release such Lender from such Lender's obligations hereunder or under any other Loan Document.

(b) Any participation by a Lender of all or any part of its Commitments shall be in an amount at least equal to \$5,000,000, and with the understanding that all amounts payable by Borrowers hereunder shall be determined as if that Lender had not sold such participation, and that the holder of any such participation shall not be entitled to require such Lender to take or omit to take any action hereunder except actions directly affecting (i) any reduction in the principal amount of, or interest rate or Fees payable with respect to, any Loan in which such holder participates, (ii) any extension of the scheduled amortization of the principal amount of any Loan in which such holder participates or the final maturity date thereof, and (iii) any release of all or substantially all of the Collateral (other than in accordance with the terms of this Agreement, the Collateral Documents or the other Loan Documents). Solely for purposes of SECTIONS 1.13, 1.15, 1.16 and 9.8, each Borrower acknowledges and agrees that a participation shall give rise to a direct obligation of such Borrower to the participant and the participant shall be considered to be a "Lender" (provided that the amounts claimed by any participant pursuant thereto shall not exceed the amounts that could be claimed by the relevant Lender). Except as set forth in the preceding sentence neither any Borrower nor any other Credit Party shall have any obligation or duty to any participant. Neither Administrative Agent nor any Lender (other than the Lender selling a participation) shall have any duty to any participant and may continue to deal solely with the Lender selling a participation as if no such sale had occurred.

(c) Except as expressly provided in this SECTION 9.1, no Lender shall, as between Borrowers and that Lender, or Administrative Agent and that Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment, transfer or negotiation of, or granting of participation in, all or any part of the Loans, the Notes or other Obligations owed to such Lender.

(d) Each Credit Party executing this Agreement shall assist

Administrative Agent and Syndication Agent in selling assignments or participations under this SECTION 9.1 as reasonably required to enable the assigning or selling Lender to effect any such assignment or participation, including the execution and delivery of any and all agreements, notes and other documents and instruments as shall be requested and, if requested by Administrative Agent, the preparation of informational materials for, and the participation of management in meetings with, potential assignees or participants. Each Credit Party executing this Agreement shall certify the correctness, completeness and accuracy of all descriptions of the Credit Parties and their affairs contained in any selling materials provided by it and all other information provided by it and included in such materials, except that any Projections delivered by or on behalf of Borrowers shall only be certified by Borrowers as having been prepared by Borrowers in compliance with the representations contained in SECTION 3.4(c).

(e) A Lender may furnish any information concerning Credit Parties in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants). Prior to any such disclosure, each Lender shall obtain from assignees or participants (including prospective assignees and participants) confidentiality covenants substantially equivalent to those contained in SECTION 11.8.

(f) So long as no Event of Default shall have occurred and be continuing, no Lender shall assign or sell participations in any portion of its Loans or Commitments to a potential Lender or participant, if, as of the date of the proposed assignment or sale, the assignee Lender or participant would be subject to capital adequacy or similar requirements under SECTION 1.16(a), increased costs under SECTION 1.16(b), an inability to fund LIBOR Loans under SECTION 1.16(c), or withholding taxes in accordance with SECTION 1.16(d).

9.2 APPOINTMENT OF ADMINISTRATIVE AGENT. GE Capital is hereby appointed to act on behalf of all Lenders as Administrative Agent under this Agreement and the other Loan Documents. The provisions of this SECTION 9.2 are solely for the benefit of Administrative Agent and Lenders and no Credit Party nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In performing its functions and duties under this Agreement and the other Loan Documents, Administrative Agent shall act solely as an agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Credit Party or any other Person. Administrative Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Loan Documents. The duties of Administrative Agent shall be mechanical and administrative in nature and Administrative Agent shall not have, or be deemed to have, by reason of this Agreement, any other Loan Document or otherwise a fiduciary relationship in respect of any Lender. Neither Administrative Agent nor any of its Affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Lender for any action taken or omitted to be taken by it hereunder or under any other Loan Document, or in connection herewith or therewith, except for damages solely caused by its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

If Administrative Agent shall request instructions from Requisite Lenders, Requisite Revolving Lenders or all affected Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then Administrative Agent shall be entitled to refrain from such act or taking such action unless and until Administrative Agent shall have received instructions from Requisite Lenders, Requisite Revolving Lenders, or all affected Lenders, as the case may be, and Administrative Agent shall not incur liability to any Person by reason of so refraining. Administrative Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document (a) if such action would, in the opinion of Administrative Agent, be contrary to law or the terms of this Agreement or any other Loan Document, (b) if such action would, in the opinion of Administrative Agent, expose Administrative Agent to Environmental Liabilities or (c) if Administrative Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Administrative Agent as a result of Administrative Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of Requisite Lenders, Requisite Revolving Lenders or all affected Lenders, as applicable.

9.3 ADMINISTRATIVE AGENT'S RELIANCE, ETC. Neither Administrative Agent nor any of its Affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except for damages solely caused by its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Without limitation of the generality of the foregoing, Administrative Agent: (a) may treat the payee of any Note as the holder thereof until Administrative Agent receives written notice of the assignment or

transfer thereof signed by such payee and in form satisfactory to Administrative Agent; (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of Borrowers or to inspect the Collateral (including the books and records) of Borrowers; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopy, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

9.4 GE CAPITAL AND AFFILIATES. With respect to its Commitments hereunder, GE Capital shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not Administrative Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include GE Capital in its individual capacity. GE Capital and its Affiliates may lend money to, invest in, and generally engage in any kind of business with, any Credit Party, any of their Affiliates and any Person who may do business with or own securities of any Credit Party or any such Affiliate, all as if GE Capital were not Administrative Agent and without any duty to account therefor to Lenders. GE Capital and its Affiliates may accept fees and other consideration from any Credit Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders. GE Capital has also purchased certain equity interests in Holdings, which is a corporation which currently owns (directly or indirectly) one hundred percent (100%) of the outstanding Stock of each Borrower. Each Lender acknowledges the potential conflict of interest between GE Capital as a Lender holding disproportionate interests in the Loans, GE Capital as a stockholder of Holdings, and GE Capital as Administrative Agent.

9.5 LENDER CREDIT DECISION. Each Lender acknowledges that it has, independently and without reliance upon Administrative Agent or any other Lender and based on the Financial Statements referred to in SECTION 3.4(a) and such other documents and information as it has deemed appropriate, made its own credit and financial analysis of the Credit Parties and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a result of Lenders holding disproportionate interests in the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

9.6 INDEMNIFICATION. Lenders agree to indemnify Administrative Agent (to the extent not reimbursed by Borrowers and without limiting the obligations of Borrowers hereunder), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Administrative Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted by Administrative Agent in connection therewith; PROVIDED, HOWEVER, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from Administrative Agent's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Without limiting the foregoing, each Lender agrees to reimburse Administrative Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document, to the extent that Administrative Agent is not reimbursed for such expenses by Borrowers.

9.7 SUCCESSOR ADMINISTRATIVE AGENT. Administrative Agent may resign at any time by giving not less than thirty (30) days' prior written notice thereof to Lenders and Borrower Representative. Upon any such resignation, the Requisite Lenders (with the prior written consent of Borrower Representative) shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Requisite Lenders and shall have accepted such appointment within 30 days after the resigning Administrative Agent's giving notice of resignation, then the resigning Administrative Agent

may, on behalf of Lenders, appoint a successor Administrative Agent, which shall be a Lender, if a Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution is organized under the laws of the United States of America or of any State thereof and has a combined capital and surplus of at least \$300,000,000. If no successor Administrative Agent has been appointed pursuant to the foregoing, by the 30th day after the date such notice of resignation was given by the resigning Administrative Agent, such resignation shall become effective and the Requisite Lenders shall thereafter perform all the duties of Administrative Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Administrative Agent as provided above. Any successor Administrative Agent appointed by Requisite Lenders hereunder shall be subject to the approval of Borrower Representative, such approval not to be unreasonably withheld or delayed; PROVIDED that such approval shall not be required if a Default or an Event of Default shall have occurred and be continuing. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Administrative Agent. Upon the earlier of the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent or the effective date of the resigning Administrative Agent's resignation, the resigning Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents, except that any indemnity rights or other rights in favor of such resigning Administrative Agent shall continue. After any resigning Administrative Agent's resignation hereunder, the provisions of this SECTION 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents. Administrative Agent may be removed at the written direction of the holders of two-thirds or more of the sum of the Commitments and to the extent Commitments have terminated (and without duplication), the outstanding Loans; provided that in so doing, such Lenders shall be deemed to have waived and released any and all claims they may have against Administrative Agent.

9.8 SETOFF AND SHARING OF PAYMENTS. In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default, each Lender and each holder of any Note is hereby authorized at any time or from time to time, without notice to any Borrower or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all balances held by it at any of its offices for the account of any Borrower (regardless of whether such balances are then due to such Borrower) and any other properties or assets any time held or owing by that Lender or that holder to or for the credit or for the account of such Borrower against and on account of any of the Obligations which are not paid when due. Any Lender or holder of any Note exercising a right to set off or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share thereof shall purchase for cash (and the other Lenders or holders shall sell) such participations in each such other Lender's or holder's Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so set off or otherwise received with each other Lender or holder in accordance with their respective Pro Rata Shares. Each Lender's obligation under this SECTION 9.8 shall be in addition to and not limitation of its obligations to purchase a participation in an amount equal to its Pro Rata Share of the Swing Line Loans under SECTION 1.1. Each Borrower agrees, to the fullest extent permitted by law, that (a) any Lender or holder may exercise its right to set off with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amount so set off to other Lenders and holders and (b) any Lender or holders so purchasing a participation in the Loans made or other Obligations held by other Lenders or holders may exercise all rights of set-off, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Lender or holder were a direct holder of the Loans and the other Obligations in the amount of such participation. Notwithstanding the foregoing, if all or any portion of the set-off amount or payment otherwise received is thereafter recovered from the Lender that has exercised the right of set-off, to the extent thereof the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest.

9.9 ADVANCES; PAYMENTS; NON-FUNDING LENDERS; INFORMATION; ACTIONS IN CONCERT.

(a)ADVANCES; PAYMENTS.

(i)Revolving Lenders shall refund or participate in the Swing Line Loan in accordance with CLAUSES (iii) and (iv) of SECTION 1.1(c). If the Swing Line Lender declines to make a Swing Line Loan or if Swing Line Availability is zero, Administrative Agent shall notify Revolving Lenders, promptly after receipt of a Notice of Revolving Advance and in any event prior to 12:00 p.m. (Chicago time) on the date such Notice of Revolving Advance is received, by telecopy, telephone or other similar form of transmission. Each Revolving Lender shall make the amount of such Lender's Pro Rata Share of each Revolving Credit Advance available to Administrative Agent in same day funds by wire transfer to

Administrative Agent's account as set forth in ANNEX H not later than 2:00 p.m. (Chicago time) on the requested funding date, in the case of an Index Rate Loan and not later than 10:00 a.m. (Chicago time) on the requested funding date in the case of a LIBOR Loan. After receipt of such wire transfers (or, in Administrative Agent's sole discretion, before receipt of such wire transfers), subject to the terms hereof, Administrative Agent shall make the requested Revolving Credit Advance to the appropriate Borrowers. All payments by each Revolving Lender shall be made without setoff, counterclaim or deduction of any kind.

(ii) On the second (2nd) Business Day of each calendar week or more frequently as aggregate cumulative payments in excess of \$2,000,000 are received with respect to the Loans (other than the Swing Line Loan) (each, a "SETTLEMENT DATE"), Administrative Agent will advise each Lender by telephone or teletype of the amount of such Lender's Pro Rata Share of principal, interest and Fees paid for the benefit of Lenders with respect to each applicable Loan. Provided that such Lender has made all payments required to be made by it and purchased all participations required to be purchased by it under this Agreement and the other Loan Documents as of such Settlement Date, Administrative Agent will pay to each Lender such Lender's Pro Rata Share of principal, interest and Fees paid by Borrowers since the previous Settlement Date for the benefit of that Lender on the Loans held by it. Such payments shall be made by wire transfer to such Lender's account (as specified by such Lender in ANNEX H or the applicable Assignment Agreement) not later than 1:00 p.m. (Chicago time) on the next Business Day following each Settlement Date.

(b) AVAILABILITY OF LENDER'S PRO RATA SHARE. Administrative Agent may assume that each Lender will make its Pro Rata Share of each Revolving Credit Advance or Term Loan available to Administrative Agent on each funding date. If such Pro Rata Share is not, in fact, paid to Administrative Agent by such Lender when due, Administrative Agent will be entitled to recover such amount on demand from such Lender without set-off, counterclaim or deduction of any kind. If any Lender fails to pay the amount of its Pro Rata Share forthwith upon Administrative Agent's demand, Administrative Agent shall promptly notify Borrower Representative and Borrowers shall immediately repay such amount to Administrative Agent. Nothing in this SECTION 9.9(b) or elsewhere in this Agreement or the other Loan Documents shall be deemed to require Administrative Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its Commitments hereunder or to prejudice any rights that Borrowers may have against any Lender as a result of any default by such Lender hereunder. To the extent that Administrative Agent advances funds to Borrowers on behalf of any Lender and is not reimbursed therefor on the same Business Day as such Advance or Term Loan is made, Administrative Agent shall be entitled to retain for its account all interest accrued on such Advance or Term Loan until reimbursed by the applicable Lender.

(c) RETURN OF PAYMENTS.

(i) If Administrative Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Administrative Agent from Borrowers and such related payment is not received by Administrative Agent, then Administrative Agent will be entitled to recover such amount from such Lender on demand without set-off, counterclaim or deduction of any kind.

(ii) If Administrative Agent determines at any time that any amount received by Administrative Agent under this Agreement must be returned to Borrowers or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, Administrative Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Administrative Agent on demand any portion of such amount that Administrative Agent has distributed to such Lender, together with interest at such rate, if any, as Administrative Agent is required to pay to Borrowers or such other Person, without set-off, counterclaim or deduction of any kind.

(d) NON-FUNDING LENDERS. The failure of any Lender (such Lender, a "NON-FUNDING LENDER") to make any Revolving Credit Advance or to purchase any participation in any Swing Line Loan or make a Term Loan to be made or purchased by it on the date specified therefor shall not relieve any other Lender (each such other Lender, an "OTHER LENDER") of its obligations to make such Advance or purchase such participation or make such Term Loan on such date, but neither any Other Lender nor Administrative Agent shall be responsible for the failure of any Non-Funding Lender to make an Advance to be made, or to purchase a participation to be purchased or to make a Term Loan to be made, by such Non-Funding Lender, and no Non-Funding Lender shall have any obligation to Administrative Agent or any Other Lender for the failure by such Non-Funding Lender. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender (for so long as it shall remain in such status) shall not have any voting or consent rights under or with respect to any Loan Document or constitute a "Lender" or a "Revolving Lender" (or be included in the calculation of "Requisite Lenders" or "Requisite Revolving Lenders" hereunder) for any voting or consent rights under or with respect to any Loan Document.

(e)DISSEMINATION OF INFORMATION. Administrative Agent will use reasonable efforts to provide Lenders with any notice of Default or Event of Default received by Administrative Agent from, or delivered by Administrative Agent to, any Credit Party, with notice of any Event of Default of which Administrative Agent has actually become aware and with notice of any action taken by Administrative Agent following any Event of Default; provided, however, that Administrative Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable solely to Administrative Agent's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(f)ACTIONS IN CONCERT. Anything in this Agreement to the contrary notwithstanding, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement or the Notes (including exercising any rights of set-off) without first obtaining the prior written consent of Administrative Agent or Requisite Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Notes shall be taken in concert and at the direction or with the consent of Administrative Agent.

10. SUCCESSORS AND ASSIGNS

10.1 SUCCESSORS AND ASSIGNS. This Agreement and the other Loan Documents shall be binding on and shall inure to the benefit of each Credit Party, Administrative Agent, Lenders and their respective successors and assigns (including, in the case of any Credit Party, a debtor-in-possession on behalf of such Credit Party), except as otherwise provided herein (including, without limitation, SECTION 6.1) or therein. No Credit Party may assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the other Loan Documents without the prior express written consent of Administrative Agent and Requisite Lenders. Any such purported assignment, transfer, hypothecation or other conveyance by any Credit Party without the prior express written consent of Administrative Agent and Requisite Lenders shall be void. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of each Credit Party, Administrative Agent and Lenders with respect to the transactions contemplated hereby. Only the Syndication Agent and the Documentation Agent, and no other Person, shall be third party beneficiaries of the terms and provisions of this Agreement and the other Loan Documents.

11. MISCELLANEOUS

11.1 COMPLETE AGREEMENT; MODIFICATION OF AGREEMENT. The Loan Documents constitute the complete agreement between the parties with respect to the subject matter thereof and may not be modified, altered or amended except as set forth in SECTION 11.2 below. Any letter of interest, commitment letter, and/or fee letter (other than the GE Capital Fee Letter) and/or confidentiality agreement between any Credit Party and Administrative Agent or any Lender or any of their respective affiliates, predating this Agreement and relating to a financing of substantially similar form, purpose or effect shall be superseded by this Agreement.

11.2 AMENDMENTS AND WAIVERS.

(a)Except for actions expressly permitted to be taken by Administrative Agent, no amendment, modification, termination or waiver of any provision of this Agreement or any of the Notes, or any consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Administrative Agent and each Borrower, and by Requisite Lenders, Requisite Revolving Lenders or all affected Lenders, as applicable. Except as set forth in CLAUSES (b) and (c) below, all such amendments, modifications, terminations or waivers requiring the consent of any Lenders shall require the written consent of Requisite Lenders.

(b)No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement which increases the percentage advance rates set forth in the definition of the Borrowing Base, or which makes less restrictive the nondiscretionary criteria for exclusion from Eligible Accounts set forth in SECTION 1.6, shall be effective unless the same shall be in writing and signed by Administrative Agent, Requisite Revolving Lenders and each Borrower. No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement which (i) waives compliance with the conditions precedent set forth in SECTION 2.2 to the making of any Loan or the incurrence of any Letter of Credit Obligations shall be effective unless the same shall be in writing and signed by Administrative Agent, Requisite Revolving Lenders and each Borrower or (ii) which waives compliance with the conditions precedent to Contingent Payment Loans contained in SECTION 2.2 or the provisions of SECTION 1.1(b)(vii) (including the definitions used therein) shall be effective unless the same shall be in writing and signed by Administrative Agent and Contingent Payment Lenders holding at least 50% of the Contingent Payment Loan Commitment and each Borrower. Notwithstanding anything contained in this Agreement to the contrary, no waiver or consent with respect to any Default (if in connection therewith Administrative Agent or Requisite Revolving Lenders, as the case may be, have exercised its or their right

to suspend the making or incurrence of further Advances or Letter of Credit Obligations pursuant to SECTION 8.2(a)) or any Event of Default shall be effective for purposes of the conditions precedent to the making of Loans or the incurrence of Letter of Credit Obligations set forth in SECTION 2.2 unless the same shall be in writing and signed by Administrative Agent, Requisite Revolving Lenders and each Borrower.

(c) No amendment, modification, termination or waiver shall, unless in writing and signed by Administrative Agent and each Lender directly affected thereby, do any of the following: (i) increase the principal amount of any Lender's Commitment (which action shall be deemed to directly affect all Lenders); (ii) reduce the principal of, rate of interest on or Fees payable with respect to any Loan or Letter of Credit Obligations of any affected Lender; (iii) extend any scheduled payment date or final maturity date of the principal amount of any Loan of any affected Lender; (iv) waive, forgive, defer, extend or postpone any payment of interest or Fees as to any affected Lender; (v) release any Guaranty or, except as otherwise permitted herein or in the other Loan Documents, permit any Credit Party to sell, release or otherwise dispose of any Collateral with a value exceeding \$15,000,000 in the aggregate (which action shall be deemed to directly affect all Lenders); (vi) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans which shall be required for Lenders or any of them to take any action hereunder; and (vii) amend or waive this SECTION 11.2 or the definitions of the terms "Requisite Lenders" or "Requisite Revolving Lenders" insofar as such definitions affect the substance of this SECTION 11.2. Furthermore, no amendment, modification, termination or waiver affecting the rights or duties of Administrative Agent under this Agreement or any other Loan Document shall be effective unless in writing and signed by Administrative Agent, in addition to Lenders required hereinabove to take such action. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification, termination or waiver shall be required for Administrative Agent to take additional Collateral pursuant to any Loan Document. No amendment, modification, termination or waiver of any provision of any Note shall be effective without the written concurrence of the holder of that Note. No notice to or demand on any Credit Party in any case shall entitle such Credit Party or any other Credit Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this SECTION 11.2 shall be binding upon each holder of the Notes at the time outstanding and each future holder of the Notes.

(d) If, in connection with any proposed amendment, modification, waiver or termination (a "PROPOSED CHANGE") requiring the consent of all affected Lenders, the consent of Requisite Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained being referred to as a "NON-CONSENTING LENDER"), then, so long as Administrative Agent is not a Non-Consenting Lender, at Borrower Representative's request Administrative Agent, or a Person acceptable to Administrative Agent, shall have the right with Administrative Agent's consent and in Administrative Agent's sole discretion (but shall have no obligation) to purchase from such Non-Consenting Lenders, and such Non-Consenting Lenders agree that they shall, upon Administrative Agent's request, sell and assign to Administrative Agent or such Person, all of the Commitments of such Non-Consenting Lender for an amount equal to the principal balance of all Loans held by the Non-Consenting Lender and all accrued interest and Fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

(e) UPON PAYMENT IN FULL IN CASH OF ALL OF THE OBLIGATIONS (OTHER THAN INDEMNIFICATION OBLIGATIONS UNDER SECTION 1.13), termination of the Commitments and a release of all claims against Administrative Agent and Lenders, and so long as no suits, actions, proceedings, or claims are pending or threatened against (and not otherwise secured to the satisfaction of) any Indemnified Person asserting any damages, losses or liabilities that are Indemnified Liabilities, Administrative Agent shall deliver to Borrower Representative termination statements, mortgage releases and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations.

11.3 FEES AND EXPENSES. Borrowers shall reimburse Administrative Agent for all reasonable out-of-pocket expenses incurred in connection with the preparation of the Loan Documents (including the reasonable fees and expenses of all of its special loan counsel, advisors, consultants and auditors retained in connection with the Loan Documents and the Related Transactions and advice in connection therewith). Borrowers shall reimburse Administrative Agent (and, with respect to CLAUSES (c) and (d) below, all Lenders) for all reasonable out-of-pocket fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors (including environmental and management consultants and appraisers) for advice, assistance, or other representation in connection with:

(a) THE FORWARDING TO BORROWERS OR ANY OTHER PERSON ON BEHALF OF BORROWERS BY ADMINISTRATIVE AGENT OF THE PROCEEDS OF THE LOANS;

(b) any amendment, modification or waiver of, or consent with

respect to, any of the Loan Documents or Related Transactions Documents or advice in connection with the administration of the Loans made pursuant hereto or its rights hereunder or thereunder;

(c) Any litigation, contest, dispute, suit, proceeding or action (whether instituted by Administrative Agent, any Lender, any Borrower or any other Person) in any way relating to the Collateral, any of the Loan Documents or any other agreement to be executed or delivered in connection therewith or herewith, whether as party, witness, or otherwise, including any litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case commenced by or against any Borrower or any other Person that may be obligated to Administrative Agent by virtue of the Loan Documents; including any such litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the Loans during the pendency of one or more Events of Default; PROVIDED that in the case of reimbursement of counsel for Lenders other than Administrative Agent, such reimbursement shall be limited to one counsel for all such Lenders;

(d) any attempt to enforce any remedies of Administrative Agent against any or all of the Credit Parties or any other Person that may be obligated to Administrative Agent or any Lender by virtue of any of the Loan Documents; including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the Loans during the pendency of one or more Events of Default; PROVIDED that in the case of reimbursement of counsel for Lenders other than Administrative Agent, such reimbursement shall be limited to one counsel for all such Lenders;

(e) ANY WORK-OUT OR RESTRUCTURING OF THE LOANS DURING THE PENDENCY OF ONE OR MORE EVENTS OF DEFAULT; AND

(f) efforts to (i) monitor the Loans or any of the other Obligations, (ii) evaluate, observe or assess any of the Credit Parties or their respective affairs, and (iii) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Collateral;

including all reasonable attorneys' and other professional and service providers' fees arising from such services, including those in connection with any appellate proceedings; and all reasonable out-of-pocket expenses, costs, charges and other fees incurred by such counsel and others in any way or respect arising in connection with or relating to any of the events or actions described in this SECTION 11.3 shall be payable, on demand, by Borrowers to Administrative Agent. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or telecopy charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services; but shall not include general overhead expenses of Administrative Agent or any Lender. Borrowers agree to pay to Mortgagee (as defined in the Vessel Mortgage) all fees, expenses and compensation payable to Mortgagee in connection with the Vessel Mortgage.

11.4 NO WAIVER. Administrative Agent's or any Lender's failure, at any time or times, to require strict performance by the Credit Parties of any provision of this Agreement and any of the other Loan Documents shall not waive, affect or diminish any right of Administrative Agent or such Lender thereafter to demand strict compliance and performance therewith. Any suspension or waiver of an Event of Default shall not suspend, waive or affect any other Event of Default whether the same is prior or subsequent thereto and whether the same or of a different type. Subject to the provisions of SECTION 11.2, none of the undertakings, agreements, warranties, covenants and representations of any Credit Party contained in this Agreement or any of the other Loan Documents and no Default or Event of Default by any Credit Party shall be deemed to have been suspended or waived by Administrative Agent or any Lender, unless such waiver or suspension is by an instrument in writing signed by an officer of or other authorized employee of Administrative Agent and the applicable required Lenders and directed to Borrower Representative specifying such suspension or waiver.

11.5 REMEDIES. Administrative Agent's and Lenders' rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies which Administrative Agent or any Lender may have under any other agreement, including the other Loan Documents, by operation of law or otherwise. Recourse to the Collateral shall not be required.

11.6 SEVERABILITY. Wherever possible, each provision of this Agreement and the other Loan Documents shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.7 CONFLICT OF TERMS. Except as otherwise provided in this Agreement or any of the other Loan Documents by specific reference to the applicable provisions of this Agreement, if any provision contained in this Agreement is in conflict with, or inconsistent with, any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

11.8 CONFIDENTIALITY. Administrative Agent and each Lender agree to use commercially reasonable efforts (equivalent to the efforts Administrative Agent or such Lender applies to maintaining the confidentiality of its own confidential information) to maintain as confidential all confidential information provided to them by the Credit Parties and designated as confidential for a period of two (2) years following receipt thereof, except that Administrative Agent and each Lender may disclose such information (a) to Persons employed or engaged by Administrative Agent or such Lender in evaluating, approving, structuring or administering the Loans and the Commitments; (b) to any bona fide assignee or participant or potential assignee or participant that has agreed to comply with the covenant contained in this SECTION 11.8 (and any such bona fide assignee or participant or potential assignee or participant may disclose such information to Persons employed or engaged by them as described in CLAUSE (a) above); (c) as required or requested by any Governmental Authority or reasonably believed by Administrative Agent or such Lender to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, in the opinion of Administrative Agent's or such Lender's counsel, required by law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any Litigation to which Administrative Agent or such Lender is a party; or (f) which ceases to be confidential through no fault of Administrative Agent or such Lender.

11.9 GOVERNING LAW. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THE LOAN DOCUMENTS AND THE OBLIGATIONS SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH BORROWER HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN ANY BORROWER, ADMINISTRATIVE AGENT AND LENDERS PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, PROVIDED, THAT ADMINISTRATIVE AGENT, LENDERS AND BORROWERS ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK AND, PROVIDED, FURTHER NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE ADMINISTRATIVE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF ADMINISTRATIVE AGENT. EACH BORROWER EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH BORROWER HEREBY WAIVES ANY OBJECTION WHICH SUCH BORROWER MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH BORROWER HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH BORROWER AT THE ADDRESS SET FORTH IN ANNEX I OF THIS AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH BORROWER'S ACTUAL RECEIPT THEREOF OR THREE (3) BUSINESS DAYS AFTER DEPOSIT IN THE U.S. MAILS, PROPER POSTAGE PREPAID.

11.10 NOTICES. Except as otherwise provided herein, whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this SECTION 11.10), (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid or billed to the account of the sender or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated on ANNEX I or to such other address (or facsimile number) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than any Borrower or Administrative Agent) designated on ANNEX I to receive copies shall in no way adversely affect the effectiveness of such notice, demand,

request, consent, approval, declaration or other communication.

11.11 SECTION TITLES. The Section titles and Table of Contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

11.12 COUNTERPARTS. This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

11.13 WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG ADMINISTRATIVE AGENT, LENDERS AND BORROWER ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.

11.14 PRESS RELEASES. Each Credit Party executing this Agreement agrees that neither it nor its Affiliates will in the future issue any press releases or other public disclosure using the name of GE Capital or its affiliates or referring to this Agreement, the other Loan Documents or the Related Transactions Documents without at least two (2) Business Days' prior notice to GE Capital and without the prior written consent of GE Capital unless (and only to the extent that) such Credit Party or Affiliate is required to do so under law and then, in any event, such Credit Party or Affiliate will consult with GE Capital before issuing such press release or other public disclosure. Each Credit Party consents to the publication by Administrative Agent or any Lender of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement.

11.15 REINSTATEMENT. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Borrower for liquidation or reorganization, should any Borrower become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of such Borrower's assets, and shall continue to be effective or to be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

11.16 ADVICE OF COUNSEL; RELIANCE ON OPINIONS OF COUNSEL. Each of the parties represents to each other party hereto that it has discussed this Agreement and, specifically, the provisions of SECTIONS 11.9 and 11.13, with its counsel. The Credit Parties jointly and severally authorize and direct their legal counsel to address those legal opinions deliverable in connection with this Agreement to Administrative Agent (on behalf of Lenders) and authorize Administrative Agent and Lenders to rely upon such opinions.

11.17 NO STRICT CONSTRUCTION. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

11.18 BORROWER REPRESENTATIVE. Any election to be made by the Borrowers hereunder may be made by Borrower Representative. Any notices to be given by or to the Borrowers may be given by or to Borrower Representative.

12. CROSS-GUARANTY

12.1 CROSS-GUARANTY. Each Borrower hereby agrees that such Borrower is jointly and severally liable for, and hereby absolutely and unconditionally guarantees to Administrative Agent and Lenders and their respective successors and assigns, the full and prompt payment (whether at stated maturity, by acceleration or otherwise) and performance of, all Obligations owed or hereafter owing to Administrative Agent and Lenders by each other Borrower. Each Borrower agrees that its guaranty obligation hereunder is a continuing guaranty of payment and performance and not of collection, and that its obligations under this SECTION 12 shall be absolute and unconditional, irrespective of, and unaffected by,

(a) the genuineness, validity, regularity, enforceability or any

future amendment of, or change in, this Agreement, any other Loan Document or any other agreement, document or instrument to which any Borrower is or may become a party;

(b)the absence of any action to enforce this Agreement (including this SECTION 12) or any other Loan Document or the waiver or consent by Administrative Agent and Lenders with respect to any of the provisions thereof;

(c)the existence, value or condition of, or failure to perfect its Lien against, any security for the Obligations or any action, or the absence of any action, by Administrative Agent and Lenders in respect thereof (including the release of any such security);

(d)the insolvency of any Borrower; or

(e)any other action or circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor,

(f)it being agreed by each Borrower that its obligations under this SECTION 12 shall not be discharged until the payment and performance, in full, of the Obligations has occurred. Each Borrower shall be regarded, and shall be in the same position, as principal debtor with respect to the Obligations guaranteed hereunder.

12.2 WAIVERS BY BORROWERS. Each Borrower expressly waives all rights it may have now or in the future under any statute, or at common law, or at law or in equity, or otherwise, to compel Administrative Agent or Lenders to marshal assets or to proceed in respect of the Obligations guaranteed hereunder against any other Borrower, any other party or against any security for the payment and performance of the Obligations before proceeding against, or as a condition to proceeding against, such Borrower. It is agreed among each Borrower, Administrative Agent and Lenders that the foregoing waivers are of the essence of the transaction contemplated by this Agreement and the other Loan Documents and that, but for the provisions of this SECTION 12 and such waivers, Administrative Agent and Lenders would decline to enter into this Agreement.

12.3 BENEFIT OF GUARANTY. Each Borrower agrees that the provisions of this SECTION 12 are for the benefit of Administrative Agent and Lenders and their respective successors, transferees, endorsees and assigns, and nothing herein contained shall impair, as between any other Borrower and Administrative Agent or Lenders, the obligations of such other Borrower under the Loan Documents.

12.4 SUBORDINATION OF SUBROGATION, ETC. Notwithstanding anything to the contrary in this Agreement or in any other Loan Document, each Borrower hereby expressly and irrevocably subordinates to payment of the Obligations any and all rights at law or in equity to subrogation, reimbursement, exoneration, contribution, indemnification or set off and any and all defenses available to a surety, guarantor or accommodation co-obligor until the Obligations are indefeasibly paid in full in cash. Each Borrower acknowledges and agrees that this subordination is intended to benefit Administrative Agent and Lenders and shall not limit or otherwise affect such Borrower's liability hereunder or the enforceability of this SECTION 12, and that Administrative Agent, Lenders and their respective successors and assigns are intended third party beneficiaries of the waivers and agreements set forth in this SECTION 12.4.

12.5 ELECTION OF REMEDIES. If Administrative Agent or any Lender may, under applicable law, proceed to realize its benefits under any of the Loan Documents giving Administrative Agent or such Lender a Lien upon any Collateral, whether owned by any Borrower or by any other Person, either by judicial foreclosure or by non-judicial sale or enforcement, Administrative Agent or any Lender may, at its sole option, determine which of its remedies or rights it may pursue without affecting any of its rights and remedies under this SECTION 12. If, in the exercise of any of its rights and remedies, Administrative Agent or any Lender shall forfeit any of its rights or remedies, including its right to enter a deficiency judgment against any Borrower or any other Person, whether because of any applicable laws pertaining to "election of remedies" or the like, each Borrower hereby consents to such action by Administrative Agent or such Lender and waives any claim based upon such action, even if such action by Administrative Agent or such Lender shall result in a full or partial loss of any rights of subrogation which each Borrower might otherwise have had but for such action by Administrative Agent or such Lender. Any election of remedies which results in the denial or impairment of the right of Administrative Agent or any Lender to seek a deficiency judgment against any Borrower shall not impair any other Borrower's obligation to pay the full amount of the Obligations. In the event Administrative Agent or any Lender shall bid at any foreclosure or trustee's sale or at any private sale permitted by law or the Loan Documents, Administrative Agent or such Lender may bid all or less than the amount of the Obligations and the amount of such bid need not be paid by Administrative Agent or such Lender but shall be credited against the Obligations. The amount of the successful bid at any such sale, whether Administrative Agent, Lender or any other party is the successful bidder, shall be conclusively deemed to be the fair market value of the Collateral and the difference between such bid amount and

the remaining balance of the Obligations shall be conclusively deemed to be the amount of the Obligations guaranteed under this SECTION 12, notwithstanding that any present or future law or court decision or ruling may have the effect of reducing the amount of any deficiency claim to which Administrative Agent or any Lender might otherwise be entitled but for such bidding at any such sale.

12.6 [RESERVED.]

12.7 [RESERVED.]

12.8 LIABILITY CUMULATIVE. The liability of Borrowers under this SECTION 12 is in addition to and shall be cumulative with all liabilities of each Borrower to Administrative Agent and Lenders under this Agreement and the other Loan Documents to which such Borrower is a party or in respect of any Obligations or obligation of the other Borrowers, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

12.9 SUBORDINATION.

(a) Each Borrower (each a "PAYEE BORROWER") hereby subordinates any and all indebtedness and/or obligations of any other Borrower (each, an "OTHER BORROWER") now or hereafter owing to such Payee Borrower (an "INTERCOMPANY OBLIGATION") to the full and prompt payment and performance of all of the Obligations. Following the occurrence and during the continuation of any Event of Default, any payments on such intercompany obligations to any such Payee Borrower, if Administrative Agent or the Requisite Lenders to request, shall be collected, enforced and received by such Payee Borrower, in trust, as trustee for Administrative Agent and shall be paid over to Administrative Agent on account of the Obligations, but without reducing or affecting in any manner the liability of such Payee Borrower under the other provisions of this Section 12. Administrative Agent is authorized and empowered, but not obligated, in its discretion following the occurrence and during the continuation of any Event of Default, (a) in the name of any such Payee Borrower, to collect and enforce, and to submit claims in respect of, any intercompany obligations of any Other Borrower to such Payee Borrower and to apply any amounts received thereon to the Obligations, and (b) to require each such Payee Borrower (i) to collect and enforce, and to submit claims in respect of, any intercompany obligations of any Other Borrower to such Payee Borrower, and (ii) to pay any amounts received on such intercompany obligations to Administrative Agent for application to the Obligations.

(b) Without limiting any of the provisions set forth in subsection (a) above, upon any distribution of assets of Other Borrower in any dissolution, winding up, liquidation or reorganization (whether in bankruptcy, insolvency or receivership proceedings or upon an assignment for the benefit of creditors or otherwise):

(i) Administrative Agent and Lenders shall first be entitled to receive payment in full in cash of the Obligations before any Payee Borrower is entitled to receive any payment on account of the intercompany obligations owing to such Payee Borrower.

(ii) Any payment or distribution of assets of any Other Borrower of any kind or character, whether in cash, property or securities, to which any Payee Borrower would be entitled except for the provisions of this Section 12.9, shall be paid by the liquidating trustee or Administrative Agent or other Person making such payment or distribution directly to Administrative Agent the extent necessary to make payment in full of all Obligations remaining unpaid after giving effect to any concurrent payment or distribution or provisions therefor to Administrative Agent for itself and Lenders.

(iii) In the event that notwithstanding the foregoing provisions of this Section 12.9, any payment or distribution of assets of any Other Borrower of any kind or character, whether in cash, property or securities, shall be received by any Payee Borrower on account of any intercompany obligations owing to such Payee Borrower before all Obligations are paid in full, such payment or distribution shall be received and held in trust for and shall be paid over to Administrative Agent for itself and Lenders for application to the payment of the Obligations until all of the Obligations shall have been paid in full, after giving effect to any concurrent payment or distribution or provision therefor to Administrative Agent for itself and Lenders.

([Signature Page Follows])

IN WITNESS WHEREOF, this Credit Agreement has been duly executed as of the date first written above.

CARDINAL HOLDING CORP.

By:
Name:
Title:

CARDINAL SERVICES, INC.

By:
Name:
(Title:

SUB-SURFACE TOOLS, INC.

By:
Name:
Title:

STABIL DRILL SPECIALTIES, INC.

By:
Name:
Title:

SUPERIOR WELL SERVICE, INC.

By:
Name:
Title:

NAUTILUS PIPE & TOOL RENTAL, INC.

By:
Name:
Title:

ACE RENTAL TOOLS, INC.

By:
Name:
Title:

CONNECTION TECHNOLOGY, LTD.

By:
Name:
Title:

FASTORQ, INC.

By:
Name:
Title:

F. & F. WIRELINE SERVICE, INC.

By:
Name:

Title:

OIL STOP, INC.

By:

Name:
Title:

STEERABLE ROTARY TOOLS, L.L.C.

By:

Name:
Title:

HYDRO-DYNAMICS OILFIELD CONTRACTORS, INC.

By:

Name:
Title:

1105 PETERS ROAD, INC.

By:

Name:
Title:

1209 PETERS ROAD, INC.

By:

Name:
Title:

DIMENSIONAL OIL FIELD SERVICES, INC.

By:

Name:
Title:

SUPERIOR BAREBOAT CHARTERS, INC.

By:

Name:
Title:

TONG RENTALS AND SUPPLY COMPANY, INC.

By:

Name:
Title:

SUPERIOR ENERGY SERVICES, INC.

By:

Name:
Title:

GENERAL ELECTRIC CAPITAL CORPORATION,
as Administrative Agent and Lender

By:

Name:

Title:

Revolving Loan Commitment (including a Swing
Line Commitment of \$5,000,000): \$20,000,000

Term Loan A Commitment: \$20,000,000

Term Loan B Commitment: \$90,000,000

Contingent Payment Commitment: \$22,000,000

SUPERIOR ENERGY SERVICES, INC. 1999 STOCK INCENTIVE PLAN

1. PURPOSE. The purpose of the 1999 Stock Incentive Plan (the "Plan") of Superior Energy Services, Inc. ("Superior") is to increase stockholder value and to advance the interests of Superior and its subsidiaries (collectively, the "Company") by furnishing a variety of equity incentives (the "Incentives") designed to attract, retain and motivate officers, directors, key employees, consultants and advisers and to strengthen the mutuality of interests between such persons and Superior stockholders. Incentives may consist of opportunities to purchase or receive shares of common stock, \$.001 par value per share, of Superior (the "Common Stock"), on terms determined under the Plan.

2. ADMINISTRATION.

2.1. COMPOSITION. The Plan shall be administered by the compensation committee of the Board of Directors of Superior, or by a subcommittee of the compensation committee. The committee or subcommittee that administers the Plan shall hereinafter be referred to as the "Committee". The Committee shall consist of not fewer than two members of the Board of Directors, each of whom shall (a) qualify as a "disinterested person" under Rule 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act"), as currently in effect or any successor rule, and (b) qualify as an "outside director" under Section 162(m) of the Internal Revenue Code (the "Code"), as currently in effect or any successor provision.

2.2. AUTHORITY. The Committee shall have plenary authority to award Incentives under the Plan, to interpret the Plan, to establish any rules or regulations relating to the Plan that it determines to be appropriate, to enter into agreements with participants as to the terms of the Incentives (the "Incentive Agreements") and to make any other determination that it believes necessary or advisable for the proper administration of the Plan. Its decisions in matters relating to the Plan shall be final and conclusive on the Company and participants. The Committee may delegate its authority hereunder to the extent provided in Section 3 hereof.

3. ELIGIBLE PARTICIPANTS.

3.1. OFFICERS, KEY EMPLOYEES, CONSULTANTS AND ADVISERS. Officers (including officers who also serve as directors of the Company), key employees, consultants and advisers to the Company shall become eligible to receive Incentives under the Plan when designated by the Committee. Participants may be designated individually or by groups or categories, as the Committee deems appropriate. With respect to participants not subject to Section 16 of the 1934 Act or Section 162(m) of the Code, the Committee may delegate to appropriate personnel of the Company its authority to designate participants, to determine the size and type of Incentives to be received by those participants and to determine or modify performance objectives for those participants.

3.2. OUTSIDE DIRECTORS. Members of the Board of Directors of Superior who are not also full-time employees of the Company ("Outside Directors") may receive awards under the Plan only as specifically provided in Section 9 hereof.

4. SHARES SUBJECT TO THE PLAN.

4.1. NUMBER OF SHARES.

(A) Subject to adjustment as provided in Section 10.6, a total of 5,929,327 shares of Common Stock are authorized to be issued under the Plan. Awards that by their terms may be paid only in cash shall not be counted against such share limit.

(B) Subject to adjustment as provided in Section 10.6, Incentives with respect to no more than 1,000,000 shares of Common Stock may be granted through the Plan to a single participant in one calendar year.

(C) In the event that a stock option or other award granted hereunder expires or is terminated or cancelled prior to exercise or issuance of shares, any shares of Common Stock that were issuable thereunder may again be issued under the Plan.

(D) In the event that shares of Common Stock are issued as Incentives under the Plan and thereafter are forfeited or reacquired by the Company pursuant to rights reserved upon issuance thereof, such forfeited and reacquired shares may again be issued under the Plan.

(E) The number of shares of Common Stock that may be issued pursuant to incentive stock options under Section 422 of the Code may not exceed 250,000 shares.

(F) Subject to the other provisions of this Section 4.1, the maximum number of shares of Common Stock with respect to which awards may be issued in the form of restricted stock and Other Stock-Based Awards (as defined herein) payable in shares of Common Stock shall be 250,000 shares.

(G) If the exercise price of any option is satisfied by tendering shares of Common Stock to the Company, only the number of shares issued net of the shares tendered shall be deemed issued for purposes of determining the maximum number of shares available for issuance under Section 4.1.A. However, all of the shares issued upon exercise shall be deemed issued for purposes of determining the maximum number of shares that may be issued pursuant to incentive stock options under Section 4.1.E.

(H) Additional rules for determining the number of shares granted under the Plan may be made by the Committee, as it deems necessary or appropriate.

4.2. TYPE OF COMMON STOCK. Common Stock issued under the Plan may be authorized and unissued shares or issued shares held as treasury shares, including shares acquired in the open market or otherwise obtained by the Company.

5. TYPES OF INCENTIVES. Incentives may be granted under the Plan to eligible participants in any of the following forms, either individually or in combination, (a) incentive stock options and non-qualified stock options; (b) restricted stock; and (c) other stock-based awards.

6. STOCK OPTIONS. A stock option is a right to purchase shares of Common Stock from Superior. Stock options granted under this Plan may be incentive stock options under Section 422 of the Code, as amended (the "Code") or non-qualified stock options. Any option that is designated as a non-qualified stock option shall not be treated as an incentive stock option. Each stock option granted by the Committee under this Plan shall be subject to the following terms and conditions:

6.1. PRICE. The exercise price per share shall be determined by the Committee, subject to adjustment under Section 10.6; provided that in no event shall the exercise price be less than the Fair Market Value of a share of Common Stock on the date of grant.

6.2. NUMBER. The number of shares of Common Stock subject to the option shall be determined by the Committee, subject to Section 4.1 and subject to adjustment as provided in Section 10.6.

6.3. DURATION AND TIME FOR EXERCISE. The term of each stock option shall be determined by the Committee. Subject to the automatic acceleration of exercisability under Section 10.12, each stock option shall become exercisable at such time or times during its term as shall be determined by the Committee. Notwithstanding the foregoing, the Committee may accelerate the exercisability of any stock option at any time.

6.4. REPURCHASE. Upon approval of the Committee, the Company may repurchase a previously granted stock option from a participant by mutual agreement before such option has been exercised by payment to the participant of the amount per share by which: (i) the Fair Market Value (as defined in Section 10.13) of the Common Stock subject to the option on the business day immediately preceding the date of purchase exceeds (ii) the exercise price.

6.5. MANNER OF EXERCISE. A stock option may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of shares of Common Stock to be purchased. The exercise notice shall be accompanied by the full purchase price for such shares. The option price shall be payable in United States dollars and may be paid by (a) cash; (b) uncertified or certified check; (c) unless otherwise determined by the Committee, by delivery of shares of Common Stock held by the optionee for at least six months, which shares shall be valued for this purpose at the Fair Market Value on the business day immediately preceding the date such option is exercised; (d) delivering a properly executed exercise notice together with irrevocable instructions to a broker approved in advance by Superior (with a copy to Superior) to promptly deliver to Superior the amount of sale or loan proceeds to pay the exercise price; or (e) in such other manner as may be authorized from time to time by the Committee. In the case of delivery of an uncertified check upon exercise of a stock option, no shares shall be issued until the check has been paid in full. Prior to the issuance of shares of Common Stock upon the exercise of a stock option, a participant shall have no rights as a stockholder.

6.6. INCENTIVE STOCK OPTIONS. Notwithstanding anything in the Plan to the contrary, the following additional provisions shall apply to the grant of stock options that are intended to qualify as incentive stock options (as such term is defined in Section 422 of the Code):

(A) Any incentive stock option agreement authorized under the Plan shall contain such other provisions as the Committee

shall deem advisable, but shall in all events be consistent with and contain or be deemed to contain all provisions required in order to qualify the options as incentive stock options.

(B) All incentive stock options must be granted within ten years from the date on which this Plan is adopted by the Board of Directors.

(C) Unless sooner exercised, all incentive stock options shall expire no later than ten years after the date of grant.

(D) No incentive stock options shall be granted to any participant who, at the time such option is granted, would own (within the meaning of Section 422 of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the employer corporation or of its parent or subsidiary corporation.

(E) The aggregate Fair Market Value (determined with respect to each incentive stock option as of the time such incentive stock option is granted) of the Common Stock with respect to which incentive stock options are exercisable for the first time by a participant during any calendar year (under the Plan or any other plan of Superior or any of its subsidiaries) shall not exceed \$100,000. To the extent that such limitation is exceeded, such options shall not be treated, for federal income tax purposes, as incentive stock options.

7. RESTRICTED STOCK

7.1. GRANT OF RESTRICTED STOCK. The Committee may award shares of restricted stock to such persons as the Committee determines to be eligible pursuant to the terms of Section 3. An award of restricted stock may be subject to the attainment of specified performance goals or targets, restrictions on transfer, forfeitability provisions and such other terms and conditions as the Committee may determine, subject to the provisions of the Plan. To the extent restricted stock is intended to qualify as performance based compensation under Section 162(m) of the Code, it must meet the additional requirements imposed thereby.

7.2. THE RESTRICTED PERIOD. The Committee shall establish a period of time during which the transfer of the shares of restricted stock shall be restricted (the "Restricted Period"). Each award of restricted stock may have a different Restricted Period. The expiration of the Restricted Period shall also occur under the conditions described in Section 10.12 hereof and may occur upon death, disability or retirement, if so determined by the Committee. A Restricted Period of at least three years is required, except that if vesting of the shares is subject to the attainment of specified performance goals, a Restricted Period of one year or more is permitted. The expiration of the Restricted Period shall also occur as provided under Section 10.12.

7.3. ESCROW. The participant receiving restricted stock shall enter into an Incentive Agreement with the Company setting forth the conditions of the grant. Certificates representing shares of restricted stock shall be registered in the name of the participant and deposited with the Company, together with a stock power endorsed in blank by the participant. Each such certificate shall bear a legend in substantially the following form:

The transferability of this certificate and the shares of Common Stock represented by it are subject to the terms and conditions (including conditions of forfeiture) contained in the Superior Energy Services, Inc. 1999 Stock Incentive Plan (the "Plan"), and an agreement entered into between the registered owner and Superior Energy Services, Inc. thereunder. Copies of the Plan and the agreement are on file at the principal office of the Company.

7.4. DIVIDENDS ON RESTRICTED STOCK. Any and all cash and stock dividends paid with respect to the shares of restricted stock shall be subject to any restrictions on transfer, forfeitability provisions or reinvestment requirements as the Committee may, in its discretion, prescribe in the Incentive Agreement.

7.5. FORFEITURE. In the event of the forfeiture of any shares of restricted stock under the terms provided in the Incentive Agreement (including any additional shares of restricted stock that may result from the reinvestment of cash and stock dividends, if so provided in the Incentive Agreement), such forfeited shares shall be surrendered and the certificates cancelled. The participants shall have the same rights and privileges, and be subject to the same forfeiture provisions, with respect to any additional shares received pursuant to Section 10.6 due to a recapitalization, merger or other change in capitalization.

7.6. EXPIRATION OF RESTRICTED PERIOD. Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee, the restrictions applicable to

the restricted stock shall lapse and a stock certificate for the number of shares of restricted stock with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions and legends, except any that may be imposed by law, to the participant or the participant's estate, as the case may be.

7.7. RIGHTS AS A STOCKHOLDER. Subject to the terms and conditions of the Plan and subject to any restrictions on the receipt of dividends that may be imposed in the Incentive Agreement, each participant receiving restricted stock shall have all the rights of a stockholder with respect to shares of stock during any period in which such shares are subject to forfeiture and restrictions on transfer, including without limitation, the right to vote such shares.

7.8. PERFORMANCE-BASED RESTRICTED STOCK. The Committee shall determine at the time of grant if a grant of restricted stock is intended to qualify as "performance-based compensation" as that term is used in Section 162(m) of the Code. Any such grant shall be conditioned on the achievement of one or more performance measures. The performance measures pursuant to which the restricted stock shall vest shall be any or a combination of the following: earnings per share, return on assets, an economic value added measure, stockholder return, earnings, return on equity, return on investment, cash provided by operating activities, increase in cash flow, or safety performance of the Company, a division of the Company or a Subsidiary. For any performance period, such performance objectives may be measured on an absolute basis or relative to a group of peer companies selected by the Committee, relative to internal goals or relative to levels attained in prior years. For grants of restricted stock intended to qualify as "performance-based compensation," the grants of restricted stock and the establishment of performance measures shall be made during the period required under Section 162(m).

8. OTHER STOCK-BASED AWARDS.

8.1. GRANT OF OTHER STOCK-BASED AWARDS. The Committee is authorized to grant "Other Stock-Based Awards," which shall consist of awards the value of which is based in whole or in part on the value of shares of Common Stock, that is not an instrument or award specified in Sections 6 or 7 of the Plan. Other Stock-Based Awards may be awards of shares of Common Stock or may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Common Stock (including, without limitation, restricted stock units or securities convertible or exchangeable into or exercisable for shares of Common Stock), as deemed by the Committee consistent with the purposes of the Plan. The Committee shall determine the terms and conditions of any such Other Stock-Based Award and may provide that such awards would be payable in whole or in part in cash. An Other Stock-Based Award may be subject to the attainment of such specified performance goals or targets as the Committee may determine, subject to the provisions of the Plan. To the extent that an Other Stock-Based Award is intended to qualify as "performance-based compensation" under Section 162(m) of the Code, it must meet the additional requirements imposed thereby. Except in the case of an Other Stock-Based Award granted in assumption of or in substitution for an outstanding award of a company acquired by the Company or with which the Company combines, the price at which securities may be purchased pursuant to any Other Stock-Based Award granted under this Plan, or the provision, if any, of any such Award that is analogous to the purchase or exercise price, shall not be less than 100% of the fair market value of the securities to which such Award relates on the date of grant. An Other-Stock Based Award, including an outright grant of shares of Common Stock, may be made in lieu of the payment of cash compensation otherwise due to a participant.

8.2. PERFORMANCE-BASED OTHER STOCK-BASED AWARDS. The Committee shall determine at the time of grant if the grant of an Other Stock-Based Award is intended to qualify as "performance-based compensation" as that term is used in Section 162(m) of the Code. Any such grant shall be conditioned on the achievement of one or more performance measures. The performance measures pursuant to which the Other Stock-Based Award shall vest shall be any or a combination of the following: earnings per share, return on assets, an economic value added measure, stockholder return, earnings, return on equity, return on investment, cash provided by operating activities, increase in cash flow, or the safety of the Company, a division of the Company or a Subsidiary. For any performance period, such performance objectives may be measured on an absolute basis or relative to a group of peer companies selected by the Committee, relative to internal goals or relative to levels attained in prior years. For grants of Other Stock-Based Awards intended to qualify as "performance-based compensation," the grants of Other Stock-Based Awards and the establishment of performance measures shall be made during the period required under Section 162(m) of the Code.

9. STOCK OPTIONS FOR OUTSIDE DIRECTORS

9.1. ELIGIBILITY. Each person who serves as an Outside Director shall be entitled to participate and automatically granted (a) a non-qualified stock option to acquire 20,000 shares of Common Stock on the

day that such person first becomes a member of the Board and (b) a non-qualified stock option to acquire 5,000 shares of Common Stock on the day following the 2000 annual meeting of stockholders and thereafter on the day following subsequent annual meetings of stockholders, for as long as the Plan remains in effect and shares of Common Stock remain available for grant under Section 4.1 hereof. The exact number of shares with respect to which options shall be granted each year to Outside Directors within the range specified above shall be determined by the Committee.

9.2. EXERCISABILITY OF STOCK OPTIONS. The stock options granted to Outside Directors under this Section 9 shall become exercisable as follows:

25% of the total number of shares covered by the stock options beginning one year after the date of grant;

50% of the total number of shares covered by the stock options beginning two years after the date of grant, less any shares previously issued;

75% of the total number of shares covered by the stock options beginning three years after the date of grant, less any shares previously issued;

100% of the total number of shares covered by the stock options beginning four years after the date of grant, less any shares previously issued;

provided, however, that such stock options shall become immediately exercisable under

10.12 hereof and in the event of retirement

from the Board on or after reaching age 65, death or disability. No stock option granted to an Outside Director under the terms of this Section 9 may be exercised more than ten years after the date of grant.

9.3. EXERCISE PRICE. The per share exercise price of stock options granted to Outside Directors shall be equal to 100% of the Fair Market Value as defined in the Plan, of a share of Common Stock on the date of grant.

9.4. EXERCISE AFTER TERMINATION OF BOARD SERVICE. In the event that an Outside Director ceases to serve on the Board of Directors for any reason, the stock options granted hereunder must be exercised, to the extent otherwise exercisable at the time of termination of service, within one year from the date of termination of Board service, but in no event later than ten years after the date of grant.

10. GENERAL.

10.1. DURATION. Subject to Section 10.11, the Plan shall remain in effect until all Incentives granted under the Plan have either been satisfied by the issuance of shares of Common Stock or terminated under the terms of the Plan and all restrictions imposed on shares of Common Stock in connection with their issuance under the Plan have lapsed.

10.2. TRANSFERABILITY OF INCENTIVES. Options granted under the Plan shall not be transferable except:

(A) by will;

(B) by the laws of descent and distribution; or

(C) in the case of stock options only, if permitted by the Committee and so provided in the Incentive Agreement or an amendment thereto, (i) pursuant to a domestic relations order, as defined in the Code, (ii) to Immediate Family Members, (iii) to a partnership in which Immediate Family Members, or entities in which Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the only partners, (iv) to a limited liability company in which Immediate Family Members, or entities in which Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the only members, or (v) to a trust for the sole benefit of Immediate Family Members. "Immediate Family Members" shall be defined as the spouse and natural or adopted children or grandchildren of the participant and their spouses. To the extent that an incentive stock option is permitted to be transferred during the lifetime of the participant, it shall be treated thereafter as a non-qualified stock option.

Any attempted assignment, transfer, pledge, hypothecation or other disposition of an Incentive, or levy of attachment or similar process upon the Incentive not specifically permitted herein, shall be null and void and without effect.

10.3. DIVIDEND EQUIVALENTS. In the sole and complete discretion of the Committee, an Incentive may provide the holder thereof with dividends or dividend equivalents, payable in cash, shares, other

securities or other property on a current or deferred basis.

10.4. EFFECT OF TERMINATION OF EMPLOYMENT OR DEATH. In the event that a participant, other than an Outside Director, ceases to be an employee of the Company or to provide services to the Company for any reason, including death, disability, early retirement or normal retirement, any Incentives may be exercised, shall vest or shall expire at such times as may be determined by the Committee in the Incentive Agreement.

10.5. ADDITIONAL CONDITION. Anything in this Plan to the contrary notwithstanding: (a) the Company may, if it shall determine it necessary or desirable for any reason, at the time of award of any Incentive or the issuance of any shares of Common Stock pursuant to any Incentive, require the recipient of the Incentive, as a condition to the receipt thereof or to the receipt of shares of Common Stock issued pursuant thereto, to deliver to the Company a written representation of present intention to acquire the Incentive or the shares of Common Stock issued pursuant thereto for his own account for investment and not for distribution; and (b) if at any time the Company further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of any Incentive or the shares of Common Stock issuable pursuant thereto is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the award of any Incentive, the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such Incentive shall not be awarded or such shares of Common Stock shall not be issued or such restrictions shall not be removed, as the case may be, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

10.6. ADJUSTMENT. In the event of any recapitalization, stock dividend, stock split, combination of shares or other change in the Common Stock, the number of shares of Common Stock then subject to the Plan, including shares subject to outstanding Incentives, shall be adjusted in proportion to the change in outstanding shares of Common Stock. In the event of any such adjustments, the purchase price of any option shall be adjusted as and to the extent appropriate, in the reasonable discretion of the Committee, to provide participants with the same relative rights before and after such adjustment.

10.7. INCENTIVE AGREEMENTS. The terms of each Incentive shall be stated in an agreement or notice approved by the Committee. The Committee may also determine to enter into agreements with holders of options to reclassify or convert certain outstanding options, within the terms of the Plan, as incentive stock options or as non-qualified stock options.

10.8. WITHHOLDING. At any time that a participant is required to pay to the Company an amount required to be withheld under the applicable tax laws in connection with the issuance of shares of Common Stock under the Plan or upon the lapse of restrictions on shares of restricted stock, the participant may, subject to the Committee's right of disapproval, satisfy this obligation in whole or in part by electing (the "Election") to have the Company withhold from the distribution shares of Common Stock having a value equal to the amount required to be withheld. The value of the shares withheld shall be based on the Fair Market Value of the Common Stock on the date that the amount of tax to be withheld shall be determined (the "Tax Date").

Each Election must be made prior to the Tax Date. The Committee may disapprove of any Election or may suspend or terminate the right to make Elections. If a participant makes an election under Section 83(b) of the Code with respect to shares of restricted stock or an Other Stock-Based Award, an Election is not permitted to be made.

A participant may also satisfy his or her total tax liability related to the Incentive by delivering shares of Common Stock that have been owned by the participant for at least six months. The value of the shares delivered shall be based on the Fair Market Value of the Common Stock on the Tax Date.

10.9. NO CONTINUED EMPLOYMENT. No participant under the Plan shall have any right, because of his or her participation, to continue in the employ of the Company for any period of time or to any right to continue his or her present or any other rate of compensation.

10.10. DEFERRAL PERMITTED. Distribution of shares of Common Stock or cash to which a participant is entitled under any Incentive shall be made as provided in the Incentive Agreement. Payment may be deferred at the option of the participant if provided in the Incentive Agreement.

10.11. AMENDMENT OF THE PLAN. The Board may amend or discontinue the Plan at any time. In addition, no amendment or discontinuance shall, subject to adjustments permitted under Section 10.6, materially impair, without the consent of the recipient, an Incentive previously

granted, except that the Company retains the right to (a) convert any outstanding incentive stock option to a non-qualified stock option, or (b) exercise all rights under Section 10.12.

10.12. CHANGE OF CONTROL.

(A) A Change of Control shall mean:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the 1934 Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of more than 30% of the outstanding shares of the Common Stock; provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control:

a) any acquisition of Common Stock directly from the Company,

b) any acquisition of Common Stock by the Company,

c) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or

d) any acquisition of Common Stock by any corporation pursuant to a transaction that complies with clauses a), b) and c) of subsection (iii) of this Section 10.12(A); or

(ii) individuals who, as of the date this Plan was adopted by the Board of Directors (the "Approval Date"), constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the Approval Date whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or

(iii) consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination,

a) all or substantially all of the individuals and entities who were the beneficial owners of the outstanding Common Stock and the voting securities of the Company entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the corporation resulting from such Business Combination (which, for purposes of this clause a) and clauses b) and c), shall include a corporation that as a result of such transaction owns the Company or all or substantially all of the assets of the Company either directly or through one or more subsidiaries), and

b) except to the extent that such ownership existed prior to the Business Combination, no person (excluding any corporation resulting from such Business Combination or any employee benefit plan or related trust of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 20% or more of the combined voting power of the then outstanding voting securities of such corporation, and

c) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) approval by the stockholders of the Company of a plan of complete liquidation or dissolution of the Company.

(B) Upon a Change of Control, or immediately prior to the closing of a transaction that will result in a Change of Control if consummated, all outstanding options granted pursuant to the Plan shall automatically become fully exercisable, all

restrictions or limitations on any Incentives shall lapse and all performance criteria and other conditions relating to the payment of Incentives shall be deemed to be achieved and waived by the Company, without the necessity of action by any person.

(C) No later than 30 days after the approval by the Board of a Change of Control of the types described in subsections (iii) or (iv) of Section 10.12(A) and no later than 30 days after a Change of Control of the type described in subsections (i) and (ii) of Section 10.12(A), the Committee (as the Committee was composed immediately prior to such Change of Control and notwithstanding any removal or attempted removal of some or all of the members thereof as directors or Committee members), acting in its sole discretion without the consent or approval of any participant, may act to effect one or more of the alternatives listed below and such act by the Committee may not be revoked or rescinded by persons not members of the Committee immediately prior to the Change of Control:

(i) require that all outstanding options be exercised on or before a specified date (before or after such Change of Control) fixed by the Committee, after which specified date all unexercised options shall terminate,

(ii) make such equitable adjustments to Incentives then outstanding as the Committee deems appropriate to reflect such Change of Control (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary),

(iii) provide for mandatory conversion of some or all of the outstanding options held by some or all participants as of a date, before or after such Change of Control, specified by the Committee, in which event such options shall be deemed automatically cancelled and the Company shall pay, or cause to be paid, to each such participant an amount of cash per share equal to the excess, if any, of the Change of Control Value of the shares subject to such option or, as defined and calculated below, over the exercise price(s) of such options or, in lieu of such cash payment, the issuance of Common Stock or securities of an acquiring entity having a Fair Market Value equal to such excess, or

(iv) provide that thereafter upon any exercise of an option the participant shall be entitled to purchase under such option, in lieu of the number of shares of Common Stock then covered by such option, the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the participant would have been entitled pursuant to the terms of the agreement providing for the reorganization, merger, consolidation or asset sale, if, immediately prior to such Change of Control, the participant had been the holder of record of the number of shares of Common Stock then covered by such options.

(v) For the purposes of paragraph (iii) of this Section 10.12(C) the "Change of Control Value" shall equal the amount determined by whichever of the following items is applicable:

a) the per share price to be paid to stockholders of Superior in any such merger, consolidation or other reorganization.

b) the price per share offered to stockholders of Superior in any tender offer or exchange offer whereby a Change of Control takes place, or

c) in all other events, the Fair Market Value per share of Common Stock into which such options being converted are exercisable, as determined by the Committee as of the date determined by the Committee to be the date of conversion of such options.

d) in the event that the consideration offered to stockholders of Superior in any transaction described in this Section 10.12 consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered that is other than cash.

10.13. DEFINITION OF FAIR MARKET VALUE. Whenever "Fair Market Value" of Common Stock shall be determined for purposes of this Plan, it shall be determined as follows: (i) if the Common Stock is listed on an established stock exchange or any automated quotation system that provides sale quotations, the closing sale price for a share of the Common Stock on such exchange or quotation system on the applicable date; (ii) if the Common Stock is not listed on any exchange or quotation system, but bid and asked prices are quoted and published, the mean between the quoted bid and asked prices on the applicable date, and if bid and asked prices are not available on such

day, on the next preceding day on which such prices were available; and (iii) if the Common Stock is not regularly quoted, the fair market value of a share of Common Stock on the applicable date as established by the Committee in good faith.

11. STOCKHOLDER APPROVAL. Adoption of this plan by the Board of Directors is subject to approval by the holders of a majority of the Common Stock present and voting at a meeting of the stockholders to be held no later than the date of the first annual meeting after the date of the adoption hereof by the Board of Directors.

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	17,909,000	
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	3,088,000	
	24,543,000	
	89,996,000	
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	125,949,000	
8,535,000		0
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