

LAD HANDELMAN

Profile of a Pioneer **PART 2**

BY STAFF IN COOPERATION
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As a result of Union Oil's Platform A oil spill in the Santa Barbara Channel on January 28, 1969, the drilling industry in California came to a screeching halt. The new start-up group Cal Dive's chances of survival were dark indeed.

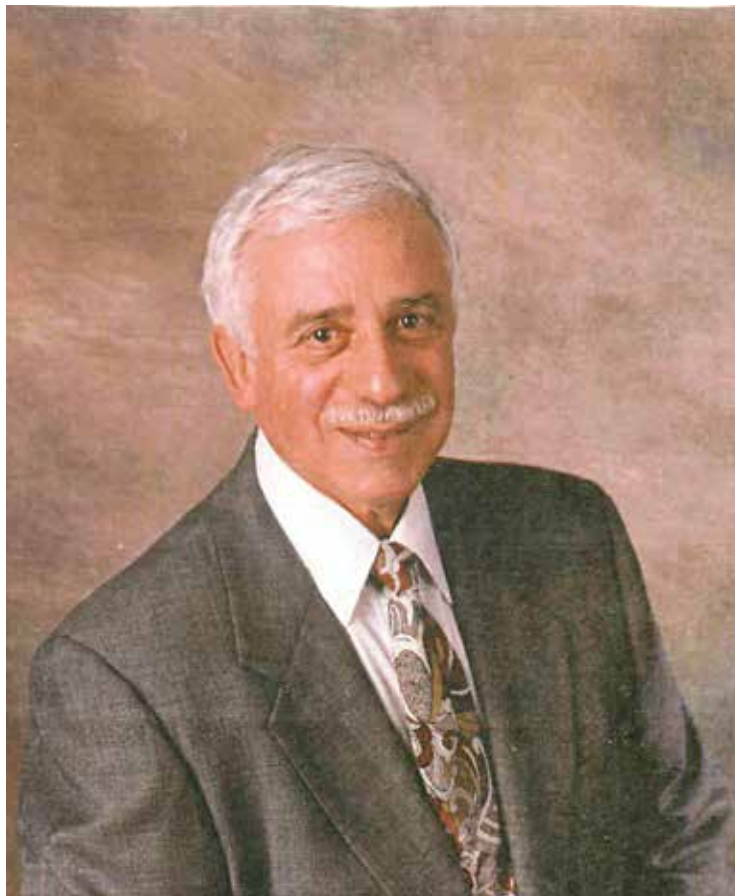
Putting to use the expression "necessity is the mother of invention," before going under, Cal Dive found a way to take prime contracts out of the grip of Cook Inlet's long entrenched dive contractors, replenishing its coffers in the process. At the same time Bob Ratcliffe was finding a way to undercut longstanding large marine contractors' lock on municipal projects and still collect lots of profit for the company. What Cal Dive lacked in size and reputation was made up for by crafting innovative inexpensive

solutions... and doing an honest job. It was this unorthodox approach that allowed Cal Dive to survive the "dark period" and then become Oceaneering and beyond.

How many times have we heard "it is being in the right place at the right time"? Factually speaking, Cal Dive was in the wrong place at the worst time. How could this mini-sized group, with no resources, compete with the likes of the financially-backed and established divisions of corporate giants like Union Carbide (Ocean Systems), Westinghouse (Sanford Brothers), International Utilities (Divcon), Halliburton/Brown & Root (Taylor Diving) and government subsidized Comex? The answer was very simple: Cal Dive / early Oceaneering had to be creative and relentless in the winning of contracts.



Early 1970. Cal Dive and Can Dive create Oceaneering, joined by World Wide Divers. The major stockholders were: (standing L-R) Johnny Johnson, Bob Ratcliffe, Mike Hughes, Phil Nuytten, (sitting L-R) Frank Stoltz, Kevin Lengyel and Lad Handelman.



Infant Cal Dive could not qualify for bids because this tiny group had no insurance and couldn't get any... that is, until a young insurance broker named Peter Barbara bravely stepped in. Once Cal Dive had insurance and got on bid lists, more and more contracts were won, even from extreme locales like Nigeria, Iran, and Jakarta. Pete had to stick his neck out a mile to provide coverage for an endless number of high risk situations. Without Peter Barbara, Cal Dive/Oceaneering may not have begun.

The next coup was Cal Dive, a tiny Santa Barbara group, beating out all the large international dive companies to be contracted for Gulf Oil's first exploration off the east coast of Australia. Reading & Bates's novel catamaran drillship suffered extreme seafloor consequences, calling on the Cal Dive team to save the day time and again.

It so happened that just as Gulf Oil was happily drilling away off the Great Barrier Reef, news of the infamous '69 blow-out finally reached the *Brisbane Times*, calling for an immediate halt to oil drilling on Australia's environment jewel. Operations came to a screeching halt. Cal Dive's hopes at this point seemed dashed again.

A MOMENTARY MONOPOLY

But not long after, the Reading & Bates new flagship, the *E.W. Thornton*, moved to new operations in Indonesia. Then, thanks to the Reading & Bates guys touting Cal Dive as heroes, the door to the lucrative Southeast Asia market opened wide. For a moment, Cal Dive had a monopoly and was secure enough to open the very first diving contractor headquarters in Singapore.

Being the only US service company (aside from R&B) in Singapore was an opportunity that was not missed. To expand and diversify, Sea Supply, (Southeast Asia's first oilfield supply company) got launched as did Spiltrol (for emergency spills, contracted by Pertamina). Simultaneously, Cal Dive was landing more and more dive contracts. The window had opened and Cal Dive jumped through with both feet.

Shell Oil Canada needed a deep diving/bell diving capability to service its five-year exploration effort offshore western Canada. Ocean Systems, Comex, and all the other corporate-backed dive companies were fighting to secure this long-term and strategically located contract. What chance would an individual upstart, with no bell and no helium capability like Phil Nuytten have? By all counts "none." So what did he do? He immediately got with Cal Dive, who he knew had the helium diving expertise as well as access (through Reading & Bates) to a bell system, to form a 50-50 owned partnership, "Can Dive."

On top of that, Phil's Canadian partner was world renowned wrestling champion, Don Leo Jonathan, western Canada's hero. A natural born master of creative marketing, Phil must have played these cards perfectly. To the industry's astonishment, Can Dive walked away with this five-year contract, thus providing another cornerstone for the formation of Oceaneering.

In the Gulf of Mexico, where Cal Dive did not have a presence, but where they had worked with World Wide Divers, the sale of deep water parcels off Louisiana was expected to lead to big opportunities. Globally, some sources were predicting that the approximately \$3 billion that the oil industry had spent on offshore drilling and production in 1968 would grow to \$25 billion by 1977. As a small company, however, Cal Dive faced a major difficulty if they were to keep pace with their much larger competitors. Besides not having a presence in the Gulf, one glaring obstacle among others was lack of capital.

The late sixties were heady years for corporate America. Industrial giants were growing but their stock valuations were lagging. Voilà, to reverse this picture, many conglomerates acquired dive companies to excite their shareholders with visions of producing unprecedented amounts of precious metals and minerals from the deep ocean, including vast oil discoveries. Thus virtually all the privately owned diving companies were snapped up.



Lad and Phil Nuytten with the off-shore industry's first one-atmospheric dive suit. To compress a diver safely to 1,000 feet took 24 hours. Decompression from 1,000 feet would take 8-10 days. Oceaneering's JIM Suit could hit bottom in 10 minutes, work for 8 hours and return topside within 10 minutes. JIM was very inefficient but at the time was an industry Godsend and a good example of OI's pioneering efforts. Nuytten later invented the flying Newtsuit.



Cal Dive's Secret Weapon: Developed by founder Bob Ratcliffe, the Rat Hat system was uniquely able to keep a diver warm under arctic conditions, keep him secure surface diving to helium depths and flexible enough for lock-out bell diving. Such safety-oriented equipment gave Cal Dive a leg up on attracting top divers and a real advantage in accomplishing difficult tasks. Rat Hats were not for sale. Kirby-Morgan headgear is now the gold standard. Oceaneering still features the Rat Hat emblem.

The undersea bandwagon had begun.

NOTE: Interestingly, in just about every case, this "sizzle" became too hot to handle. Within a few years, just about all of these corporate owned and managed diving divisions had failed financially - or worse... (Smit International, within months of acquiring a New Orleans' dive company, Michel Lecler, flew its senior financial guy to investigate "questionable" activities. The report is that no sooner had this guy gotten out of the taxi at the company's parking lot, than he was shot dead. That was more than enough for Smit to decide that their operating style and the diving company's style did not mix. As these mis-marriages failed one by one, young Oceaneering was to pick up the pieces.) As Lad recalls, "It was not as though we were so good... it was that the conglomerate-controlled competition was really bad."

Even young Cal Dive had been pursued. Buy-out offers came from Halliburton's Taylor Diving, André Galerne's IUC and several conglomerates. By far the most tempting offer came from highly respected Santa Fe International who

had a drilling division and construction division, both utilizing divers. Santa Fe's offer was \$430,000 with an earn-out that could be worth an additional \$300,000 - and equally as important, the promise of career jobs for the Cal Dive owners just tending to Santa Fe's in-house subsea needs. Cal Dive was given 45 days in which to either say "yes" to Santa Fe or the offer would expire.

FINDING A BETTER WAY

Selling to Santa Fe would provide the partners with cash and security, but Phil Nuytten wasn't satisfied. He cornered Lad and challenged him. He reminded Lad of why they all joined in the first place: "Not to have idiot bosses to report to, and to be able to do our own thing the way we want." Lad agreed that there must be a better way.

In the midst of all these buy-out offers, recognizing his ignorance Lad went to a seminar on mergers and acquisitions to find out how earn-outs worked. It was at this fateful conference that destiny stepped in, in the form of a young man who was to become Cal Dive's

/ Oceaneering's financial architect / strategist and Lad's lifelong friend. His name was Matthew R. Simmons. He was employed as a post-graduate researcher at Harvard University. Lad at first thought "he was a kid who wanted to learn about diving." He was soon to learn otherwise. After hearing of Cal Dive's buy-out dilemma, Matt convinced Lad to allow him the thirty days (the amount of time before the Santa Fe offer expired) by which time he would bring a firm offer of over \$300,000 for a minority position, the amount of funding Cal Dive needed, without any buy-out. Working at it night and day, within ten days, Matt created a compelling prospectus on Cal Dive. Thirty days later, Matt showed up with a signed Letter of Intent from a group of venture capitalists specifying \$350,000 for a 30% stake in the company. Phil and Lad rejoiced and even the partners who had been skeptical jumped in. Phil's Can Dive was an integral part of the new corporation they named Oceaneering. Lad says he thought of the name as more accurately representing future diversity and geographic expansion.

"Oceanologists study the ocean. Oceanographers map the ocean. Oceaneers do work in the ocean." Had destiny not stepped in when it did, there would have been no Oceaneering and none of the other companies spawned by the Cal Dive-Can Dive-Oceaneering heritage. Equally as important as the new capital was that a brand new Oceaneering Board of Directors was formed featuring reps from the venture capital groups. "The wisdom and expertise they provided was invaluable."

Lad told his partners that aside from the new Board, the survival and success of Oceaneering would depend on being able to attract new operational blood, specifically the kind of people who could provide everyday financial control and executive experience. The existing line-up could not provide this. To recruit such individuals at the pay level Oceaneering could afford, Lad sold the idea of minimal pay in turn for a piece of the action e.g. sizable stock options. They came. The result was fantastic. This "stock for pay" idea worked!

A few months later, after

these preliminary pieces were in place, Mike Hughes and Johnny Johnson merged World Wide Divers—then doing over \$1 million in sales—into Oceaneering and became major stockholders in the new company, with Mike becoming Chairman.

Overnight, the corporation's business, balance sheet and base of operations expanded from the struggling West Coast to the booming Gulf of Mexico.

Cal Dive, until then essentially a partnership, was now a true corporation whose interests were those of the stockholders, not those of the owner-partners.

The transformation from a company of individuals to a corporation with broader responsibilities required an adjustment on the part of everyone, especially Lad.

The business steadily grew.

Then, in the spring of 1971, Lad got a telephone call from Nick Campise, the president of Divcon, saying there was an opportunity, if Oceaneering was interested, to talk to the parent company, International Utilities, about buying Divcon: a surprising suggestion given that Divcon was roughly five times the size of Oceaneering.

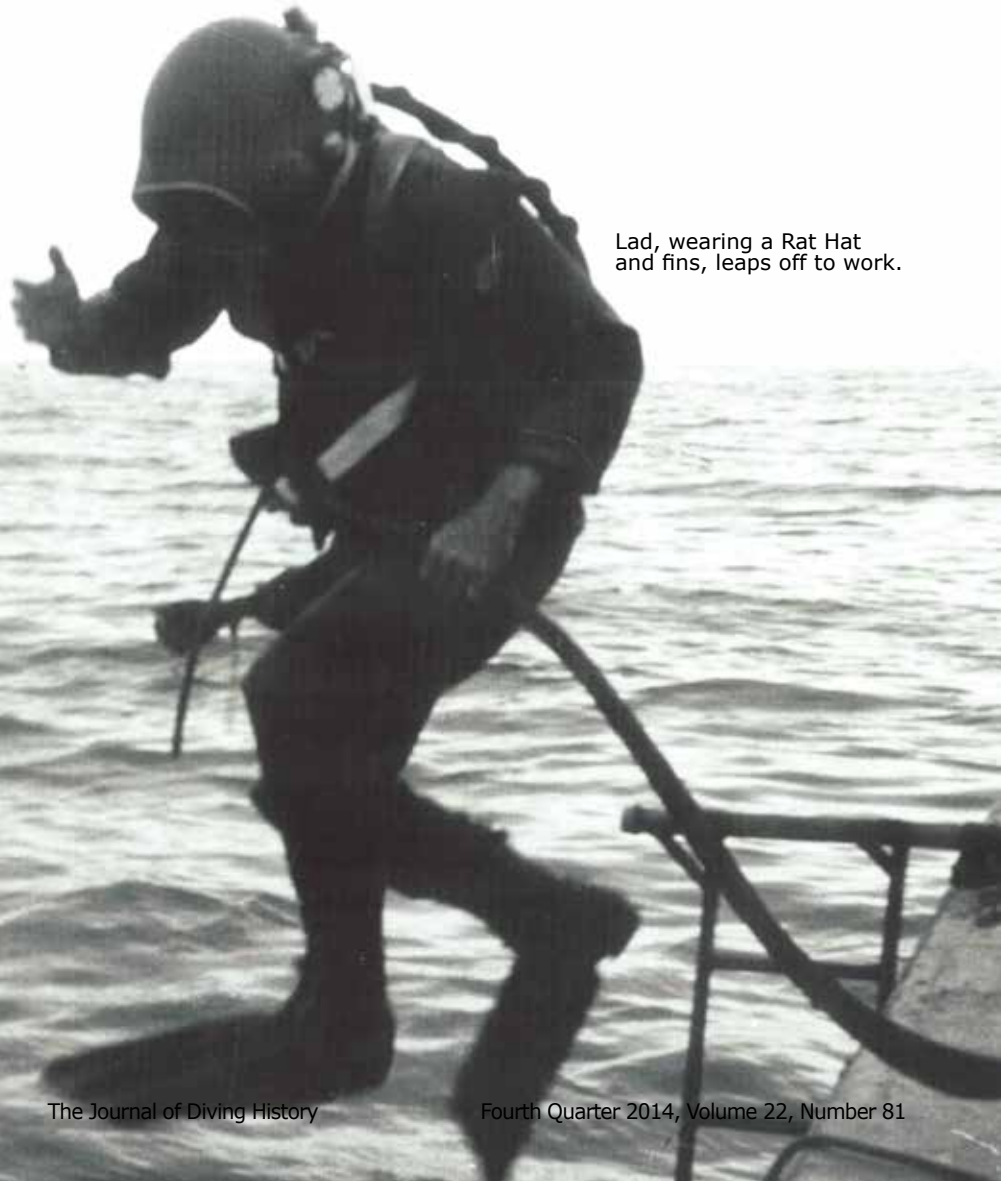
Campise's call to Lad came at the last minute of Divcon's eleventh hour. For the previous two or three months, International Utilities had been negotiating with Henri Delauze to sell the company to the French firm Comex. Several of the conglomerate's representatives had even spent a week at Delauze's house in Marseilles. Now that the parties had settled on a purchase price, all that remained was to sign the papers. Lad's reaction when learning of this was strong

and immediate. He knew that if the deal went through, the Comex-Divcon combine would command 80% of the world diving market, and even Oceaneering with all its tenacity would have little if any chance to grow. Faced with that frightening prospect, Lad persuaded the Oceaneering board that although the company had neither the resources, organizational capacity nor expertise necessary to acquire and run Divcon, they had to go for it – and now – before this window and Oceaneering's future closed. Amazingly he and Mike got the board to agree.

The negotiations took place in Philadelphia at the national headquarters of International Utilities Corp. It took place from late afternoon until late at night just before Delauze and his general manager, Lamazou, were to arrive to conclude the

sale to Comex. Representing Oceaneering were Lad, Mike Hughes and Johnny Johnson, plus a member of the financial staff and the senior partner of the company's law firm.

Under the pressure of the imminent arrival of the Frenchmen, the discussions were tense. 'We had to do a lot of fast talking and fancy footwork to convince International Utilities we could pull this off, especially because we didn't know ourselves if we could,' Lad recalled. "At a critical point in the negotiations, when we had to confess we didn't have the promised money, their Vice President of Divestitures, Joe Griffin's blood boiled. He stood up and walked out. But his financial guy stayed. In the end, Griffin came back and made the deal. Octopus Divcon had been acquired by upstart Oceaneering. Lad



Lad, wearing a Rat Hat and fins, leaps off to work.

later said, "It's a good thing we didn't know all that was in this Pandora's Box... Divcon's situation was even worse than we'd imagined." Right or wrong, the minnow had swallowed the whale. Delauze and Lamazou were boarding the flight in Paris when they got word, through a telex to Air France, not to come.

MOVING TO HOUSTON

After the buy-out, Oceaneering moved to Divcon's headquarters in Houston. Suddenly this relative upstart of a company found themselves the owners of an octopus-like concern whose tentacles extended around the globe. The whole thing had taken place so fast that the new boys had no idea where all the contracts were or even how many subsidiaries and affiliated companies Divcon had. "Making such a deal was crazy!"

Lad described that what happened to him next was like a blind man walking through a mine field... things blowing up seemingly in every direction. Customers were calling from Nigeria, Iran and everywhere asking why dive crews weren't showing up; divers' wives calling and asking why paychecks weren't showing up and worst of all, a series of diving accidents occurred, including four fatalities.

The OI takeover depended on retaining Divcon's Eastern Hemisphere VP and his management team. While pretending to be part of the new set-up and being paid handsomely, this pre buy-out team had secretly formed Deep Six Ltd. Still in control of Eastern Hemisphere operations and administration, they systematically and covertly torpedoed ongoing contract relationships, diver/employee agreements and equipment shipments. Chaos and confusion reigned. In the midst of this nightmare was a brave Nigerian secretary. Seeing Lad's despair, she pulled out a book of code names and at personal risk told Lad about the many strange goings-on as witnessed from her vantage point in Lagos. Putting two and two together, and with emergency legal help, within 48 hours these Deep Six saboteurs were served, then judiciously busted and forced to flee to England. The Deep Six commercial damage got repaired but not the human wounds.

While all this was going on, other Divcon foibles were rearing their heads. Over-the-side davits for lowering the huge double-lock Seatask dive systems were breaking off their bases, one-inch lift wires were parting and over-sophisticated breathing gas systems fatally malfunctioned. Then there was the hard to explain series of scuba gear fatalities. What had Oceaneering bitten off? Simultaneous decisions had to be made across the board. "There shall be no further use of scuba gear on any job for any reason." Divcon's monstrous two-story Seatask dive systems were chopped in half - eliminating handling systems catastrophes; highly sophisticated Draeger semi-closed breathing systems were tossed out, replaced with simple and rugged Rat Hat systems. On top of this, Divcon, perhaps out of desperation, had taken full-on dive system contracts with dive crew charging \$16,000 per month all-in. "No wonder they lost millions." Under Oceaneering, monthly contract rates doubled. Customers screamed. However, once they saw that operational mishaps no longer occurred (which had interrupted the entire program), they stopped complaining. No contract was lost.

"I spent my time on these drill rigs going totally out of my skull trying to get these British divers, who were darn



DSV *Constructor* - turning the tables: Industry practice had been that diving firms' work was telling divers what they could and could not do. Divers were low man on the totem pole, even though it was the diver that made the project go or not go. OI and Comex flipped this equation upside down and became the prime contractor, providing both the vessel and the dive crews. The *Constructor* was OI's first North Sea Flagship to demonstrate this new model, which is now the way the industry works.

Ocean ARMS Bells

Deepwater, One-Atmosphere Manipulator Bells

Operator in Ocean ARMS Bells works with ARMS to secure structure.

Operator in Ocean ARMS Bells works with ARMS to secure structure.

Introduction: Oceaneering's manipulator bells provide a controlled, one-atmosphere environment in which two men can travel to 2000-foot water depths to carry out general inspection and cutting rig support tasks. The bells are equipped with "rat-hat" a critical manipulator system, described below.

System description: The bell is tethered by a composite umbilical cable for mechanical support and primary communications. Powerful lighting and a large front viewport provide the crew with excellent visibility. Top and side ports allow with on-board sonar assist in navigation.

wellhead inspection: Since that momentous day, Ocean ARMS bells have provided hundreds of working dives, many in water depths well below 2000 feet.

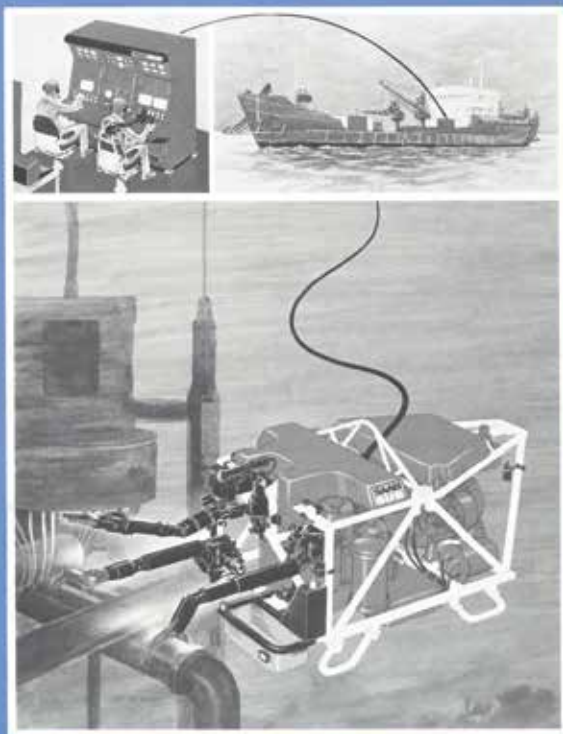
A closed-circuit television system accommodates work with manipulation for observation by surface personnel. Pressure-suspended breathing systems, maneuverability. A full complement of the support gauges and track-up systems help ensure safe operations.

Deep water service with bell type is required for high-pressure, manipulator bells.

OCEANEERING

The ARMS Bell: Lad received a call from Santa Fe International asking if Oceaneering could cover a five-year Celtic Sea contract which had a catch to it. The project was to be in 3,000 feet of water. ROVs had not yet proven themselves. Furthermore, Comex, with great research resources, was the only game in town for this depth. Not to miss out, a joint venture with General Electric was negotiated. Their famous GE ARM was bolted onto a thick-skinned sphere with a large window in front. Work was accomplished utilizing internal master arms to control the powerful external arms. Comex went home empty-handed. Courtesy Nuytco Research Ltd.

Saab Sub undersea work system



The SAAB SUB: Imagine Lad sitting in a control cabin wearing an electronic, remote-control helmet with a pair of robotic master arms in his fists, flying along the sea floor inspecting and collecting heavy debris. When he looked up or down or turned his head or reached out to grab something, this magic vehicle obeyed his physical commands. This was the brainchild of collaborators Saab Scandia and General Electric, led by Project Manager Phil Nuytten. SAAB SUB was too much, too soon. It was later replaced by today's much less-expensive and less-sophisticated ROVs. This experience, limited as it was, is still the most exciting underwater experience Lad ever had. Courtesy Nuytco Research Ltd.

good guys, top divers, to accept a new kind of equipment," Lad said. "In one case, one top diver went down, spent 20 minutes on a stage with me up topside. When he came up, he said he couldn't breathe; the Rat Hat was no good. I told him, next time try putting your mouth on the mouthpiece, that might help!"

The issue finally came to a head, tragically, on a rig off the South of France. Despite instructions from Lad and the operating vice-president to use the Rat Hat, David Lardner, one of Divcon's best supervisors, persisted in using the Draeger gear, which he was more used to, and died. According to Lad, the accident was traced to an ice block in the orifice of the control manifold in the diving bell, resulting in the gradual consumption of the oxygen in the loop to the point of anoxia, and to Lardner being unaware that his gas supply had stopped. After Lardner died, Lad replaced the Draeger sets with Rat Hats and other easily understood equipment that could be maintained in the field by the crews.

The only reason Divcon maintained a large engineering staff onshore (Houston, Great Yarmouth, etc.) was to have a quick response whenever dive systems failed. The annual

cost of these engineering divisions was nearly \$2 million. After the revamping of the Divcon dive systems, this entire engineering/service group was eliminated. Oceaneering's operating philosophy was that each and every part of its on-site equipment needed to be doubly strong and simple enough to enable its dive crews to handle breakdowns independently, without project shutdowns and not having to wait for spare parts and engineers to show up.

STEADY AS SHE GOES

By the end of the first year after the buy-out, defying predictions that they had bitten off more than they could chew, Oceaneering had put the combined company on a reasonably even keel both financially and operationally. They even made a profit. Tom Earls decided to move from headquarters in London to operations headquarters in Great Yarmouth. Lou Tapscott was brought in from Singapore to head up all Eastern Hemisphere operations and utilizing his long-established stateside client connections, firmly established Oceaneering as a North Sea rival to be reckoned with. Through the successful Divcon acquisition, Oceaneering had become one of the two biggest diving companies in the world. The other was Comex.

From 1969 to 1975, Oceaneering's turnover rocketed from \$600,000 to \$55 million. Admittedly, it was a period of rapid growth throughout the industry; but the company must clearly have been doing more than a few things right to expand at such a pace. The most important elements, Lad thought, other than not having a parent company, were its personnel and operating philosophy:

"Oceaneering consisted of hard-core, hard-working people who knew the business, with a management that understood the need to let the field people run the operations. Our job at corporate headquarters was to be 'gofers': to get financing, provide equipment for the contracts, come up with new diving tables or procedures as the field guys decided we needed them, and to act as a support group for our diving superintendents. That was our gospel. The most important guys in Oceaneering's world were those diving superintendents, not the guys back at corporate headquarters.

"Our operations managers and area vice-presidents were all ex-diving superintendents who'd come up through the ranks. My personal belief was that it made more sense to educate an experienced diving superintendent, a guy with a proven record of decision making and balls, to become an executive than to try to get a Harvard Business School graduate who knew all about management theory to understand and manage a bunch of hard-ass divers. I think in the end that was the single most important bit of wisdom that separated Oceaneering from the rest."

In 1974, to the astonishment of much more qualified marine contractors, Occidental Petroleum chose Oceaneering to install a mile-long pipeline segment from onshore out to where J Ray McDermott was completing the laying of a 30-inch pipeline that was to bring oil from Occidental's Piper field to the Orkney Islands, a distance of 128 miles. It was the biggest and most challenging project Oceaneering had ever undertaken, one which required skills and experience beyond any that Oceaneering possessed. Complicating matters was that the pre-job survey was faulty, showing sloping sand outward from the shoreline. Instead, a half mile of ragged reef tops, much of it being pounded by Scapa Flow's relentless breaking surf, was discovered. Fortunately the job was on a time-and-material basis, not on a lump-sum basis. Construction veterans were pulled in and along with Oceaneering's very best, a giant sized crawling triple drilling machine got built and worked.



Industry Pirates: Cal Dive is born again. Shown here are founders Don Terry, Don Sites, Rick Foreman, and Lad Handelman. Not pictured is partner John Swinden.

The crews blasted 3,000 feet of underwater trench 15 feet wide and a 3,000 feet long right-of-way out into 350 feet of water. In all, over 50 small boats and various vessels had to be brought in and managed. The deadline for meeting up with McDermott's pipe lay barge was met. Oceaneering chalked up a profit of about \$6 million on some \$12 million worth of work. More than that, Oceaneering was recognized as a premier can-do contractor.

At the same moment in time, Oceaneering and Knutsen, a Norwegian ship owner, formed a joint venture to supply one of the industry's first diver support vessels, the *Constructor*. Knutsen would supply the ship and crew. OI's role was to win the contracts, supply the subsea capability and run the project. Liking what they saw, North Sea operators kept the *Constructor* busy, awarding the JV back-to-back contracts with a full package rate of \$36,000-odd a day. Eastern Hemisphere Operations had quadrupled their turnover in the space of two or three years. On the added strength of the Occidental pipeline and the *Constructor* returns, in 1975 Oceaneering "went public."

The introduction of prime contracting meant that oilfield diving went from being a largely labor-intensive business to a largely capital-intensive one: a change that would become still more pronounced in the latter 1980s with the widespread adoption of Remotely Operated Vehicles (ROVs).

Nowhere was this more so than in the technology-driven North Sea. Previously, in what was cynically referred to as the meat business, taking on a contract was mainly a question of rounding up the necessary divers and sending them out to work for large marine construction companies or ship owners. Nearly all the diving contractor revenue came from marking up the personnel, very little from the equipment. However, once the construction phase got under way and dive companies like Comex and Oceaneering provided the ships and project management in the deep waters of the northern North Sea, the balance began to shift. As Lad noted:

"During those years the diving industry changed its profile from companies that had a turnover of two, three, five or ten million dollars a

year based on diving services, to companies whose turnover was thirty, forty, fifty million dollars a year, simply due to the charges connected with supplying the ships. A diving system and crew might go out on a monthly contract basis for anywhere from \$30,000 a month in hard times, up to \$75,000 a month in really good times: that amounts to \$1,000 to \$2,500 a day. With the *Constructor*, we offered the same dive services but with the dive support ship as well at \$36,000 a day, base price: that's a lot of bucks coming in!"

Surprisingly, although the overhead increased, managing a ship was not so different from managing a diving system. The capital investment was measured in millions for a ship, and in a few hundred thousand for a diving system. So the big charge was for the equipment. As a result of that, the diving companies grew from a second-level service group to a key part of the development of the North Sea. Having once broken the ice as far as offering total ship services—on which Comex paved the way—it was then a natural step to offer project engineering services, underwater pipeline welding and other high dollar value

services from the same ship. So the big players in the oil patch were no longer just the drillers and large construction/pipe-lay contractors. The dive companies had emerged. Oil companies had realized that it was the company responsible for what took place on the seafloor that dictated job success or failure, and not the company who just owned the ship. It was at this point, when full service DSVs became available, that dive contractors were emancipated and drove their own destinies.

Later, after the Ekofisk blowout, Phillips Petroleum began construction of the first oil company fire-fighting and diving support vessel, a semi-submersible called the Phillips SS, which was to remain in this enormous Ekofisk field ad infinitum. Every North Sea dive contractor fought with no holds barred for the upcoming five-year extendable full services contract. At the time, this would have been the most valuable single contract ever let. Subsea International (Odeco owned), Comex, 2W (Taylor Brown & Root) and Ocean Systems had all invested heavily in perfecting the very demanding technology of underwater pipeline welding.



Lad's rugby team: Popularly known as Murder Ball, wheelchair rugby provided a way for Lad to "let it all out." The game is high speed with the strategy being to crash the opponent off his wheelchair. Lad's specialty was using his foot plate as a battering ram to break spokes. His team, the Breakers, took the Southern California championship two years in a row.



Once an abalone diver, always an abalone diver. Real abalone divers never quit. Storms never stopped him before so why should being paralyzed stop him now?

Oceaneering, although good at many things, had never attempted underwater welding. Yet once the smoke cleared, Oceaneering was selected and its future was further strengthened.

INDUSTRY IN THE TANK

In 1976 the industry took a nosedive. Seemingly overnight, drillships were docked (along with OI dive systems stashed), new construction budgets were slashed, industry service companies were taking a beating and by 1977 many were having to sell out or go under. Oceaneering lost its source of its biggest revenue producer, drillship contracts. The catch 22 was that in early '76, in order to keep pace with the number of newly ordered drillships, Oceaneering placed orders for \$11 million worth of new dive systems and \$3 million worth of construction barges. By the time this equipment was actually delivered, the projects that were going on were so heavily competed for that rather than lose money, huge amounts of inventory (drillships, supply ships, dive systems, etc.) were "stacked." The result was that after a decade of astonishing growth topped off with 1975's record \$7 million after-tax profits, when the major sources of income declined, so did

OI's profits. Still, OI made over \$3 million in profits for 1976 and 1977. Lad's struggle to put OI on top again was knocked off its tracks. Instead of leading a recovery cycle, Lad found himself embroiled in an unexpected battle with giant Chicago Bridge & Iron, covertly planning a takeover.

This is an untold story which according to Lad is too ugly to describe in detail, even now. While Oceaneering's management was struggling to survive a down market, a large and very powerful inside takeover effort was waged behind the scenes.

The almighty Chicago Bridge & Iron had set its sights on having Oceaneering become its entry point into the lucrative offshore market. Through a series of stock purchases, CB&I went from taking a seat on the board to taking over the chairmanship – having unlimited access to all company information. Lad was promised by CB&I's highest executives that there would never be a takeover attempt. Nevertheless, once in place, the new CB&I chairman was making tentative deals with some of the venture capital investors to privately purchase what would have been enough shares to control the company, thus eliminating any stoppage of a CB&I acquisition. In the

position of company chairman, CB&I's man was using insider knowledge – which is an absolute conflict of interest. Lad, once learning of this move, reported it as such and ultimately the CB&I guy was removed. But having their chance to cash in their chips be blocked by Lad did not sit well with those involved board members. No love was lost between the board and Lad.

In the end, thanks to killing the CB&I takeover attempt Oceaneering survived as an independent entity, but Lad had alienated himself badly with the controlling board members. There would be no going back. The company needed a CEO strictly devoted to company business and who didn't carry fresh wounds from his battle with several board members. Bringing in a new CEO was needed. Lad actually helped recruit him. Lad was out! His emotions ran high! Oceaneering had been his baby!

"Without a second thought after my tempestuous departure from Oceaneering," said Lad, "I called my broker at Lehman Brothers on Wall Street (they were Oceaneering's underwriters) and instructed her to sell my Oceaneering stock, all 300,000 shares, all the next day. She was flabbergasted and told me that

no decision could be worse, to have the CEO dump all his own stock like this would absolutely trigger a huge drop of the stock price, perhaps to 1/3 of its actual value. I finally convinced her that what it was about was me having a clear mind to go forward, that for me it had never been about the money. All those around me, then and since, have told me how stupid this was. I respond, it may have been stupid for you but not for me. To this day, I am happy with my decision."

He needed to let go and think ahead without conflict. Lad's position today is that had it not been for the yearlong takeover bloodbath, having to fight off internal fires, that same effort could have been put operationally and perhaps the 1978-79 loss period would have been mitigated. In any event, even though the new CEO was soon to resign and be replaced, the company's roots proved strong and as the industry came back, so did Oceaneering.

Lad's struggles with the board triggered other high-level resignations: Don Sites, executive Vice President, John Swinden, Vice President, Asia and Mideast, and Rick Foreman, Office of the President, handling all executive and financial matters. Key executives as they were,

none of them had a financial war chest or other outside source of income. Even so, facing an unknown future, they elected to leave rather than be part of something they no longer believed in. Shortly after kissing all their jobs goodbye, the group communicated and decided to gather at Sites's Santa Barbara residence; it was actually while wallowing in his outdoor pool that they crafted a new plan. They would start a brand new dive company and name it Cal Dive. It was under this banner that each of them had begun their careers prior to the transformation to Oceaneering. It was with no small amount of trepidation that reality set in. If they couldn't make something happen mighty fast, this new adventure would fizzle out.

Lad's role in the new start-up Cal Dive was to guarantee the line of credit. According to him, he was told to "stay out of the way." Lad's partners, Don Sites, John Swinden and Rick Foreman knew more about the industry and its key players than any other like-group in the world. Sure enough, these guys never rested until contracts were landed and money was coming in again. Lad was happy being a great cheerleader.

"Most of all I had ample time to pursue my longtime dream of replenishing California's diminishing stocks of abalone in the wild," said Lad. "That industry had opened up a whole new world to me and now the least I could do was a little payback. Putting together a combine that could practically research and then spawn and grow abalone from scratch was a most interesting challenge. Thanks to a \$250,000 government grant, collaboration with USC's Marine Laboratory at Catalina Island and the guidance of world expert, Dr. Daniel Morse, the challenge appeared at least reasonable. Then, returning from Australia, ex-Cal Dive partner, Bob Ratcliffe, came back to manage the operation.

"I was fascinated when using the Laboratory's microscopes that I could witness microscopic-sized newly spawned abalone bouncing along an invisible moonscape trying to escape bigger microscopic predators," said Lad. "Of three million new spawns, only 30,000 or so escaped the first few weeks. By the time they were big enough for planting, we were lucky if 3,000 had made it. Having obtained California's very first open-ocean four-acre lease at San Nicolas Island followed by the planting, nothing could be more exciting than to picture an abalone-built causeway running between the island and Long Beach. Then, in its typical wisdom, the US Fish & Wildlife Service chose the same area at San Nicolas to helicopter in about 200 sea otters, theoretically as a reserve colony in case of an oil spill hitting their Monterrey protected range. (Sea otters are prolific eaters of shellfish, abalones in particular.) Not only was the government plan a complete disaster, but its other effect was to kill any further interest on my part on planting abalone in the wild."

New Cal Dive's first success was landing a couple of two-year contracts with the Egyptian oil company, Gupco. Meanwhile, Sites had been scouting the US Gulf Coast and had met Don Terry, the owner of International Oilfield Divers, a growth-minded company in Lafayette, Louisiana. The year before, International Oilfield Divers had done about \$3 million worth of construction diving and had built a solid reputation for having the best divers in the Gulf. A deal was struck to have Don's company IOD merge with Cal Dive and for Don Terry to have a seat on the board as a full partner. In the winter of 1980-81, Cal Dive moved its headquarters to Lafayette. The following summer Lad did what he did best and convinced Marianne Galletti to throw her J & J Diving Company of Pasadena into the pot. Cal Dive then had

Learning to swim all over again. Though his legs didn't work, he could hold his breath and go underwater forever. In his first tournament, out of eight races, he took seven gold medals.



a new operating base in Texas. The company was now firmly rooted.

The next feather in Cal Dive's cap was Sites and Lad getting in bed again with their old friends at Occidental Petroleum and walking away with a lucrative five-year contract to build and operate a 1,000-foot saturation system for a new Penrod rig. This was a special coup since Cal Dive did not even own a diving bell at the time, let alone a 1,000 foot saturation system. The next event was getting an almost identical contract with Cities Service. What the dive world was not aware of was a behind-the-scenes deal that Lad had struck up with Delauze/Comex. Cal Dive was only too happy to pay Comex below bargain rates to put Comex's stockpile of idle equipment to work. It was a win-win situation. A contract for a third 1,000-foot system, with Union Oil in Spain, followed.

Within four years Cal Dive was operating in five countries and doing \$11 million in sales. Lad and John Swinden were busy seeking joint venture DSV arrangements for a North Sea break-out. Financials were outstanding and prospects were bright. Knowing how quickly things change in the world of oil, the partners decided it was time to cash in – to enlist the services of Simmons & Co. Everyone knew everyone, and Simmons drew up a prospectus and within short order

four potential buyers were chomping at the bit. Ten days later Cal Dive had a letter of commitment from Diversified Energies, a large public utility company in Minneapolis. As a testament to the absolute integrity of Simmons & Co, both the seller and the buyer were represented by Simmons (partner Nick Swyka versus partner Matt Simmons). When the dust cleared, Cal Dive maintained its identity, board members, management and all, but as a separate subsidiary of DEL. The Cal Dive partners were cashed out and so long as they continued to perform, had well-paying positions.

SUDDEN CHANGES

In January 1985, Lad had a devastating skiing accident, which put him permanently in a wheelchair and changed his involvement with Cal Dive.

Lad elaborates: "Having transferred to Santa Barbara Rehabilitation Hospital still with a halo attached to my head, by long distance phone calls and occasional meetings in the hospital with my Cal Dive partners, I kept in the thick of things and then against traditional hospital regulations, flew off to Minneapolis to attend an important Cal Dive Board meeting. As it happened, my lifelong Singaporean friend, Brian Chang, had flown to Santa Barbara to surprise me, only to find out I had just left for Minneapolis. Not giving it a second thought, Brian caught

the next flight to Minneapolis and really did surprise me as I was just about to leave the hotel, concerned about the several block walk in the freezing winter rain. Suddenly Brian was there and told me not to worry, he would get me there. The Board meeting was successful but the return flight home was a weather-caused fiasco. All passengers were stuck on the frozen tarmac (so United Airlines claimed) when Brian and I, using "medical emergency", had them open the plane door so we could make our exit to the Albuquerque terminal to catch a different airline. The only problem was that my

"Right after surgery to reattach my head to my vertebrae, and when I first regained my voice, I occupied myself having long distance phone calls with the NOVA group concluding a plan to salvage the Spanish gold-carrier, *The Capitana San Jose*, carrying a documented \$3 billion in gold bullion," said Lad.

"An arrangement between the Columbian government and the Swedish government got finalized, and Cal Dive began organizing the recovery effort. At that time, the Columbian Cartel war broke out and all plans were kiboshed. The gold bullion still

dear friend Peter Barbara, who once again made sure that his insurance company paid the bills. Considering what risks I was putting others in, I quit doing my monthly trips to Houston."

Needing something worthwhile to put his energy into, he co-founded two hyperbaric oxygen therapy companies, Oxycare and later Clinical Hyperbaric Technologies, to provide oxygen treatment services to hospitals, saving affected individuals from non-healing wounds and amputations. He also co-founded the Marine Mammal Consulting Group with Peter Howorth, arguably California's foremost marine mammal and wildlife expert, hired by industry and government to protect marine mammals from harm during offshore projects.

Lad founded Outlook, a wheelchair-bound support group, in 1987.

NOT SLOWING DOWN

His latest and most interesting project has to do with a new breakthrough technology aimed at lessening one of life's most debilitating issues, bone health preservation, bone fracture prevention and bone healing. The inventor of the atomic microscope, Dr. Paul Hansma, exclusively assigned this technology to a young start-up group he trusted to convert the technology into hand-held medical devices capable of measuring / diagnosing bone strength condition within the human body – never before possible.

Called Active Life Scientific, these game-changing tools are now being employed in select laboratories and research centers around the globe. FDA approval is being sought. Lad was made Chairman of the Board in 2014.

Mindful of his youth in the Bronx and the impact the Boys Club had on him, in 1999 Lad became a member of the Board of Trustees of the Santa Barbara United Boys and Girls Clubs,

serving 6,000 at-risk youth throughout Santa Barbara County.

Getting tired of having oil companies blamed for polluting Santa Barbara's pristine beaches, Lad not only spoke out, he co-founded an educational advocacy group first called "BOB" (Bring Oil Back), later renamed "SOS California" (Stop Oil Seeps) committed to providing the public with the truth about where beach and air pollution actually come from – natural oil seeps – and that by draining the high pressure oil reservoirs, the natural seeps would stop and the pollution problem would disappear.

He says, "Even though new offshore drilling is still banned, at least the industry is no longer blamed for pollution." SOS California still fights the good fight.

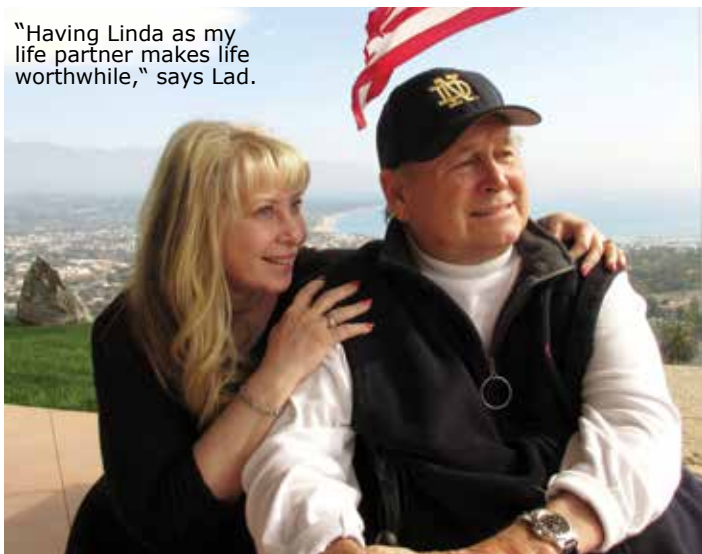
As the Historical Diving Society USA began to form in Santa Barbara, Lad attended the 1992 Inaugural Meeting and was appointed to the HDS Advisory Board, where he has dispensed wisdom and advice for over two decades.

For his services to the diving and oilfield industries, Lad has received the Historical Diving Society Pioneer Award, the Offshore Energy Industry Pioneer Award, and was inducted into the Association of Diving Contractors International Commercial Diving Hall of Fame.

Other awards include the Coalition of Labor, Agriculture and Business Lifetime Achievement Award, the Santa Barbara United Boys and Girls Clubs Lifetime Achievement award, the City of Santa Barbara Citizens Award, and the Academy of Underwater Arts & Science's 2014 NOGI Award for Distinguished Service.

Quite a list of accomplishments, to be sure. However, as Lad points out, "Were it not for the 25 years of support and counsel of my partner in crime, Patricia Putnam, there would not be a list of accomplishments." 🐼

"Having Linda as my life partner makes life worthwhile," says Lad.



belongings and wheelchair were in the cargo hold of the United airplane. From that point on, climbing up and down plane exit stairs and then through the airport(s), Brian carried me over his shoulder, and finally threw me in a rental car so we could make it back to the Rehab by 5:00 AM, just two hours before I would have missed the 72-hour return time and been disqualified from further rehab."

Don Sites continued as CEO and Lad as the part time Chairman. For the next year or more, Lad flew to Houston once a month in order to keep his role. Lad says, "I may have lost part of my body's functions, but I never lost who I was."

rests in 850 feet of water four miles offshore of Cartagena."

Much later, after DEI had appointed Jim Nelson to oversee their investment, they offered to reinstate Lad as president, wheelchair and all, if he would agree to spend two weeks per month working full time in Houston. Lad declined.

"I enjoyed three days of the Offshore Technology Conference," said Lad. "Then, while flying along on Houston's Loop 610, my Chinese helper who had learned to drive but not understanding the rules of the road, side-slammed another vehicle trying to exit, spinning both cars on the freeway and onto the shoulder. Thank God no one died and thank God for