

SEABULK INTERNATIONAL INC

Form 10-K/A

April 20, 2005

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K/A**

**AMENDMENT NO. 1**

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

For the fiscal year ended December 31, 2004

Commission File Number 0-28732

**SEABULK INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

65-0966399  
(I.R.S. Employer  
Identification Number)

2200 Eller Drive, P.O. Box 13038  
Ft. Lauderdale, Florida  
(Address of principal executive offices)

33316  
(Zip Code)

Registrant's telephone number, including area code: (954) 523-2200

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common stock, \$.01 par value

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  NO

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES  NO

The aggregate market value of the shares of voting stock held by non-affiliates of the registrant is approximately \$46,423,265 based upon the closing market price on June 30, 2004 of \$8.26 per share of common stock on the NASDAQ National Market as reported by the Wall Street Journal.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. YES  NO

There were 23,620,342 shares of the registrant's common stock par value \$0.01 per share outstanding, at March 31, 2005.

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### Explanatory Note

The purpose of this Amendment No. 1 on Form 10-K/A to Seabulk International, Inc.'s (the "Company") Annual Report on Form 10-K for the year ended December 31, 2004, as filed with the Securities and Exchange Commission on March 14, 2005, is to provide the information required by Items 10, 11, 12, 13, and 14 of Part III and the certifications required by Item 15 of Part IV of Form 10-K and to file certain additional exhibits. In addition, the Company has amended its financial statements solely to include a "Subsequent Event" note relating to the Merger (as defined below). While the Company typically incorporates this information by reference from the Company's definitive proxy statement for its annual meeting of stockholders, the Company intends to schedule a special stockholders meeting in the second quarter of 2005 for its stockholders to approve the merger of the Company with and into a wholly-owned subsidiary of SEACOR Holdings, Inc. (the "Merger"), pursuant to the Agreement and Plan of Merger, dated as of March 16, 2005 (the "Merger Agreement"). If the stockholders approve the Merger, the Company will not hold an annual meeting of stockholders and no definitive proxy statement will be distributed or filed.

This Amendment No. 1 to the Company's Annual Report on Form 10-K/A continues to speak as of the date of such original Annual Report on Form 10-K and, except as described above, does not change or update the previously reported financial statements or other disclosures included therein.

Each of Items 10, 11, 12, 13, and 14 is hereby amended and restated in its entirety and Item 15 is hereby amended to include the new exhibits listed herein and the financial statements, as described above.

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Amendment to Amended & Restated Equity Agreement  
Amendment to Stock Option Plan of Directors  
Amendment to Executive Deferred Compensation Plan  
Specimen Form of Amendment to Non-Qualified Stock Option Plan  
Directors Compensation Statement  
Amendment No. 4 to Executive Employment Agreement  
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Consent of Independent Registered Public Accounting Firm  
Section 302 Principal Executive Officer Certification  
Section 302 Principal Financial Officer Certification  
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Section 906 Principal Financial Officer Certification

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Set forth below are descriptions of the backgrounds of our directors and their principal occupations for at least the past five years and their directorship positions as of April 1, 2005. The term of each director is one year, and each director listed below was elected at the 2004 annual meeting of stockholders, with the exception of Mr. Clare, who was appointed in October 2004, to replace Ari Benacerraf who resigned in September 2004. Pursuant to the Stockholders Agreement (see Item 13), Nautilus Acquisition, L.P. (which we refer to as Nautilus in this report) has designated Messrs. Clare, Durkin, Huseman and Webster as directors and C/R Marine Domestic Partnership, L.P., C/R Marine Non-U.S. Partnership, L.P., C/R Marine Coinvestment, L.P., and C/R Marine Coinvestment II, L.P. (which we refer to collectively as the C/R Entities in this report) collectively have designated Messrs. Lapeyre and Leuschen as directors. Both Nautilus and the C/R Entities are affiliates of the Company. Pursuant to the terms of the Merger Agreement, upon consummation of the Merger, all the directors will resign from serving on our board of directors and none of them will serve on the board of SEACOR Holdings, Inc.

<b>Name</b>	<b>Age</b>	<b>Current Position</b>
Gerhard E. Kurz	65	Chairman of the Board, President, Chief Executive Officer and Director
Daniel H. Clare	33	Director
Peter H. Cressy <sup>(2)</sup> <sup>(3)</sup> <sup>(4)</sup>	63	Director
David A. Durkin <sup>(4)</sup>	36	Director
Kenneth V. Huseman	53	Director
Robert L. Keiser <sup>(1)</sup> <sup>(2)</sup>	62	Director
Pierre F. Lapeyre, Jr. <sup>(1)</sup> <sup>(4)</sup>	42	Director
David M. Leuschen <sup>(3)</sup>	54	Director
Thomas P. Moore, Jr. <sup>(2)</sup> <sup>(4)</sup>	66	Director
Steven A. Webster <sup>(1)</sup> <sup>(3)</sup>	53	Director

- (1) Member of the Compensation Committee.  
(2) Member of the Audit Committee.  
(3) Member of the Nominating and Corporate Governance Committee.  
(4) Member of the Finance Committee.

**Mr. Kurz** was elected Chief Executive Officer and a Director of the Company in April 2000, President in September 2000, and Chairman in September 2002. He formerly served as President of Mobil Shipping and Transportation Company (MOSAT), a Mobil Oil-affiliated company from which he retired in March 2000. Mr. Kurz joined Mobil in London in 1964 as a Chartering Assistant. In 1965 he was transferred to Mobil's Marine Division in New York. After a series of assignments, he was named Vice President of Planning, Middle East and Marine Transportation, and then President of MOSAT in 1989. Mr. Kurz is past Chairman of the Marine Preservation Association and the Oil Companies International Marine Forum. He serves on the Board of Directors of the American Bureau of Shipping and chairs its Audit Committee. He previously chaired its Finance and Nominating Committees. He also serves on the Boards of the Seamen's Church Institute and the Coast Guard Foundation. He is a founding member and Chairman of the Massachusetts Maritime Academy's International Business Advisory Council and a member of the International Advisory Board to the Panama Canal Authority.



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**Mr. Clare**, a director of the Company since October 2004, is a Vice President of Credit Suisse First Boston LLC in the Merchant Banking Group, a position he has held since January 2003. Mr. Clare joined Credit Suisse First Boston Corporation in 1999 as an associate in its Private Equity Division. Prior to joining CSFB, he was a management consultant at Bain & Company. Mr. Clare holds an M.B.A. degree from Harvard Business School and a B.A. from Haverford College. He is a director of American Ref-Fuel Holdings Corp. and several of its subsidiaries.

**Dr. Cressy**, a director of the Company since March 2000, has been President and Chief Executive Officer of the Distilled Spirits Council of the United States, Inc. (DISCUS) since September 1999. Prior to joining DISCUS, he was Chancellor of the University of Massachusetts at Dartmouth for six years. From 1991 to 1993, he was President of the Massachusetts Maritime Academy. Dr. Cressy, who has a Ed.D. in education from the University of San Francisco and is a Yale graduate, is a retired U.S. Navy Rear Admiral. He joined the Navy in 1963. During his 28-year career, he held senior positions at the State Department, on Capitol Hill, at the Pentagon and held major command assignments. He concluded his naval career as Commander, Fleet Air Mediterranean and Commander, NATO Air Mediterranean during Operation Desert Storm. Dr. Cressy is a Director of the distilled spirits industry's educational foundation, The Century Council.

**Mr. Durkin**, a director of the Company since September 2002, is a Partner of Credit Suisse First Boston LLC in the Merchant Banking Group, a position he has held since July 2004. Mr. Durkin joined Credit Suisse First Boston Corporation in November 2000 upon the merger with Donaldson, Lufkin & Jenrette, where he was a Principal in the Merchant Banking Group since 2000. He served as a Vice President in the Leveraged Finance Group and other roles within investment banking since 1996. Mr. Durkin serves on the board of directors of Merrill Corporation and Prometheus Laboratories, Inc. Mr. Durkin holds an M.B.A. degree from the Wharton School at the University of Pennsylvania.

**Mr. Huseman**, a director of the Company since September 2002, serves as the President and Chief Executive Officer of BASiC Energy Services, a position he has held since April 1999. Prior to that, Mr. Huseman held several executive roles at Key Energy Services and its predecessors, including serving as Chief Operating Officer between 1996 and 1999. From 1978 through 1993, Mr. Huseman held several senior operational positions at Pool Energy Services. Mr. Huseman received a B.B.A. in Accounting from Texas Tech University.

**Mr. Keiser** has served as a director since March 2000. He is former Chairman of the Board of the Kerr-McGee Corporation, an international energy company, from which he retired in 1999. Mr. Keiser was previously Chairman and Chief Executive Officer of the Oryx Energy Company from 1995 to 1999, and Chief Operating Officer from 1991 to 1994. A graduate of the University of Missouri in Rolla, he joined the Sun Company, Inc. in 1965 and became Vice President of Planning and Development for Oryx when that company was spun off from Sun in 1988. Mr. Keiser is on the Board of Directors of Lone Star Technologies Inc. and a member of the Society of Petroleum Engineers.

**Mr. Lapeyre**, a director of the Company since September 2002, is a Founder and Managing Director of Riverstone Holdings LLC, and is responsible for sourcing and negotiating investments, as well as post-closing financial structuring and monitoring. In addition, he serves on the Fund's Managing Committee which is responsible for all portfolio activity. Prior to founding Riverstone in 2000, Mr. Lapeyre was a Managing Director at Goldman Sachs & Co., where he spent 14 years in the Global Energy and Power Group. Mr. Lapeyre currently serves on the board of directors of Legend Natural Gas, CDM Resources, Frontier Holdings, Mariner Energy, Stallion Oil Field Services, SemGroup and Topaz Power. Mr. Lapeyre received his B.S. degree in Finance/Economics from The University of Kentucky, and his M.B.A. from The University of North Carolina.

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**Mr. Leuschen**, a director of the Company since September 2002, is a Founder and Managing Director of Riverstone Holdings LLC, and is responsible for sourcing and negotiating investments, as well as post-closing portfolio-company monitoring. In addition, he serves on the Fund's Managing Committee responsible for all portfolio activity. Prior to founding Riverstone in 2000, Mr. Leuschen spent 22 years with Goldman Sachs. He joined the firm in 1977, founded the firm's Global Energy and Power Group in 1982, became a Partner in 1986, and remained a Partner with the firm until leaving to found Riverstone in 2000. Mr. Leuschen has served as a Director of Frontier Drilling ASA, Legend Natural Gas, Buckeye Pipeline Partners, Mariner Energy, Inc., Belden and Blake, SemGroup, and Mega Energy LLC, as well as a significant number of other industry-related business and nonprofit Boards of Directors. He is also owner and President of Switchback Ranch LLC, an integrated cattle ranching operation in the western U.S. Mr. Leuschen received his A.B. degree from Dartmouth College, and his M.B.A. from Dartmouth's Amos Tuck School of Business.

**Mr. Moore**, a director of the Company since December 1999, is a Senior Principal of State Street Global Advisors, the head of Global Fundamental Strategies, and a member of the Senior Management Group. From 1986 through 2001, he was a Senior Vice President of State Street Research & Management Company and was head of the State Street Research International Equity Team. From 1977 to 1986 he served in positions of increasing responsibility with Petrolane, Inc., including Administrative Vice President (1977-1981), President of Drilling Tools, Inc., an oilfield equipment rental subsidiary (1981-1984), and President of Brinkerhoff-Signal, Inc., an oil well contract drilling subsidiary (1984-1986). Mr. Moore is a Chartered Financial Analyst and a Director of First Community Bank in Woodstock, Vermont. Mr. Moore holds an M.B.A. degree from Harvard Business School.

**Mr. Webster**, a director of the Company since September 2002, is Chairman of Global Energy Partners, a merchant banking affiliate of CSFB Private Equity that makes investments in energy companies, and has served in that capacity since 2000. From 1998 to 1999, Mr. Webster served as Chief Executive Officer and President of R&B Falcon Corporation, and from 1988 to 1997, Mr. Webster served as Chairman and Chief Executive Officer of Falcon Drilling Corporation, both offshore drilling contractors. Mr. Webster is on the boards of directors of Brigham Exploration Company, Carrizo Oil & Gas, Inc., Goodrich Petroleum Corporation, Grey Wolf Inc., Camden Property Trust, Crown Resources Corporation, and Geokinetics, Inc. Mr. Webster also serves on the boards of several privately held companies, primarily in the energy industry. In addition, Mr. Webster serves as Chairman of Carrizo Oil & Gas, Crown Resources and BASiC Energy Services, Inc., a privately held oil and gas service company. Mr. Webster is the founder and an original shareholder of Falcon Drilling Company, Inc., a predecessor to Transocean, Inc., and is a co-founder and original shareholder of Carrizo Oil & Gas, Inc. Mr. Webster holds a B.S.I.M. from Purdue University and an M.B.A. from Harvard Business School. Mr. Webster serves on the Dean's Advisory Board for Purdue.

**(b) Executive Officers**

The following table provides information on the Company's current executive officers, all of whom were serving in the indicated capacities at April 1, 2005.



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<b>Name</b>	<b>Age</b>	<b>Current Position</b>
Gerhard E. Kurz	65	Chairman of the Board, President, Chief Executive Officer and Director
Vincent deSostoa	60	Senior Vice President and Chief Financial Officer
Larry D. Francois	62	Senior Vice President and President Seabulk Offshore
Michael J. Pellicci	41	Senior Vice President Finance & Planning, Treasurer and Chief Accounting Officer
Kenneth M. Rogers	49	Senior Vice President and President Seabulk Towing
Alan R. Twaits	57	Senior Vice President, General Counsel and Secretary
L. Stephen Willrich	52	Senior Vice President and President Seabulk Tankers
Hubert E. Thyssen	57	Vice President Seabulk Offshore

Set forth below are descriptions of the backgrounds of the executive officers and their principal occupations for at least the past five years. For a description of the background of Mr. Kurz, see Board of Directors above. We are not aware of any family relationships between any of the foregoing executive officers or between any executive officer and any director.

**Mr. deSostoa** has been Senior Vice President and Chief Financial Officer since June 2002. He was previously President and Chief Financial Officer of Zeosoft Corporation, a provider of mobile service networks. Previously, Mr. deSostoa served as Senior Vice President and Chief Financial Officer of OMI Corporation, an international tanker operator with interests in real estate and energy. Mr. deSostoa was also Chief Financial Officer of the New York City Transit Authority and a partner with Peat Marwick, Mitchell & Co., a public accounting firm, which he joined in 1973.

**Mr. Francois** has been Senior Vice President since February 2003 and President, Seabulk Offshore since January 2003. He previously served as Area Manager of domestic offshore marine operations for Tidewater Inc. Previously, Mr. Francois was Division Manager for Zapata Gulf Marine Corporation in Mexico, International Marketing Manager in London for Western Oceanic, Inc., and Area Executive for Tidewater in Egypt. He was also Marketing & Sales Manager for Dillingham Maritime, a division of the Dillingham Corporation. A Vietnam War veteran, Mr. Francois served in the United States Air Force with the rank of Captain.

**Mr. Pellicci** has been Senior Vice President Finance and Planning, and Treasurer since January 2005. He was previously Vice President Finance and Corporate Controller of the Company, which he joined in January 2001. Mr. Pellicci also continues to serve as Chief Accounting Officer, to which he was appointed in March 2002. He previously served as Director of Corporate Finance and Corporate Controller of Caraustar Industries, Inc. in Atlanta, which he joined in 1989. Prior to that, he was a Senior Auditor with Arthur Andersen & Co. He is a Certified Public Accountant.

**Mr. Rogers** has been Senior Vice President and President, Seabulk Towing since July 2002. He was previously Senior Vice President of Marketing for Seabulk Towing, which he joined in October 2001. Previously, Mr. Rogers was Managing Director of Maritime Audit Services for Carnival Corporation and President of Southern Ship Management. Mr. Rogers was successively Port Captain, Ship Manager, Assistant Vice President of Operations and Vice President of Operations for OMI Corporation, which he joined in 1986. He began his career upon graduation from the United States Merchant Marine Academy as a deck officer with Texaco Inc.

**Mr. Twaits** has been Senior Vice President, General Counsel and Secretary since November 2000. He was previously Senior Vice President, General Counsel and Secretary of Premier Cruise Lines.

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Previously, Mr. Twaits was in private practice and served as General Counsel and Secretary for Carnival Corporation as well as a Director and Vice President, General Counsel and Secretary of Carnival Air Lines. Mr. Twaits has also held senior counsel positions with Crowley Maritime Corporation, Trusthouse Forte, Inc., United States Lines, Inc., and a staff counsel position at Pan American World Airways. He is a member of the Florida Bar, the District of Columbia Bar, the American Bar Association and its International Law Section, and the American Corporate Counsel Association.

**Mr. Willrich** has been Senior Vice President since June 2000 and President of Seabulk Tankers since March 1998, when he was also elected a corporate Vice President. He was appointed Senior Vice President of Seabulk Tankers in August 1996. He joined the Company as Vice President of Chartering in January 1988. Previously, Mr. Willrich was employed by Diamond Shamrock Chemical Company from 1975 to 1988, where he rose to Division General Manager. Prior to his service with Diamond Shamrock, he worked for Gulf Oil Corporation as a Third Assistant Engineer on various company tankers. He has more than 28 years of experience in the management of *Jones Act* product tankers.

**Mr. Thyssen** has been Vice President since August 2002. He is also Senior Vice President of Marketing & Sales for Seabulk Offshore and Managing Director of Seabulk Offshore, S.A. Mr. Thyssen joined the Company in 1998 when it acquired Care Offshore, where he served as Managing Director and Director of Marketing. Prior to that, he was Manager for Saunier Maritime SARL in Marseilles, a shipbroker and agent, which he joined in 1972. He is a member of the Association Francaise du Petrole.

## **Controlled Company Status**

NASDAQ marketplace rules require that the board of directors of NASDAQ-listed companies consist of a majority of directors who are independent within the meaning of the rules. These rules also impose additional independence requirements on members of certain committees of the board. The Company has determined that, except with respect to the required independence of members of the Audit Committee, it is exempt from the application of these rules as a controlled company, as defined in the rules. The Company believes it qualifies as a controlled company under NASDAQ rules because more than 50% of the voting power of its capital stock is held by Nautilus and the C/R Entities.

## **Committees of the Board**

The Board of Directors supervises the management of the Company as provided by Delaware law. The Board of Directors has four committees: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, and the Finance Committee.

**Audit Committee.** The Audit Committee hires the Company's independent registered public accounting firm; oversees the Company's financial reporting process and reports the results of its activities to the Board; reviews the work of, and approves audit services performed by, the independent registered public accounting firm; oversees the work of the Company's internal audit department; makes recommendations to the Board relating to the Company's reporting and control processes; and administers the Company's policy with respect to transactions with affiliated persons and with respect to grievances relating to accounting and controls. Its current members are Messrs. Moore (Chairman), Cressy and Keiser. The Board of Directors has determined that each member is independent as defined by the rules of the Securities and Exchange Commission and NASDAQ Stock Market. The Board of Directors has also determined that Mr. Moore is an audit committee financial expert as defined by the rules of the Securities and Exchange Commission and NASDAQ. The Company's Code of Business Conduct includes a hotline number for accounting and controls grievances. The Chairman of the Audit Committee can be contacted directly about such grievances through procedures described in the Code of Business Conduct.



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Compensation Committee. The Compensation Committee reviews and recommends to the Board of Directors the compensation and benefits of all executive officers of the Company and general policy matters relating to compensation and benefits of employees of the Company. The Compensation Committee supervises the administration of the Company's Management Annual Incentive Compensation Plan by reviewing and recommending for approval by the Board bonuses consistent with that Plan. The Compensation Committee has oversight responsibility for the Amended and Restated Equity Ownership Plan and reviews and approves grants under that Plan for review and ratification by the Board. Together with the CEO, the Compensation Committee is also responsible for executive succession planning. Its current members are Messrs. Keiser (Chairman), Lapeyre and Webster.

Finance Committee. The Finance Committee reviews and advises the Board and the Company's management on the Company's financial policies, plans and programs, capital structure, and tax policies, as well as the Company's credit facilities, credit ratings, insurance programs, investment management of the Company's benefit plans and related matters. Its current members are Messrs. Moore (Chairman), Cressy, Durkin and Lapeyre.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee reviews and advises the Board and the Company's management on the Company's external affairs programs, such as legal and regulatory compliance, communications and crisis planning programs, as well as the Company's strategic initiatives. It also monitors the Company's investor relations initiatives, corporate governance procedures, and internal, non-accounting grievance procedures. Its Chairman can be contacted directly through procedures in the Code of Business Conduct for ethics and conflicts of interest grievances. The Committee monitors compliance with SEC and NASDAQ governance policies. The Committee also reviews director qualifications and performance, and recommends candidates for appointment and election to the Board of Directors, subject to the terms of the Stockholders Agreement among the Company and the Investors dated as of September 13, 2002. The Committee also nominates members to the committees of the Board, and monitors committee performance of members. Its current members are Messrs. Cressy (Chairman), Leuschen and Webster.

**Code of Business Conduct**

The Board of Directors has a Code of Business Conduct that is applicable to all directors, officers and employees of the Company, including our principal executive officer, principal financial officer and principal accounting officer. The Code of Business Conduct is intended, among other things, to promote ethical conduct and deter wrongdoing as set forth in Item 406(b) of Regulation S-K of the rules of the Securities and Exchange Commission. The Code of Business Conduct is posted on the Company's website at [www.seabulkinternational.com](http://www.seabulkinternational.com).

If the Company makes any amendments to the Code of Business Conduct that relate to the standards enumerated in Item 406(b) of Regulation S-K of the rules of the Securities and Exchange Commission, other than technical, administrative, or other nonsubstantive amendments, or grants any waivers from such provisions of the Code to the Company's principal executive officer, principal financial officer and principal accounting officer, the Company will disclose the nature of the amendment or waiver, its effective date and to whom it applies on our website within five business days or as otherwise required by the SEC or NASDAQ.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires directors, executive officers and persons who beneficially own more than 10% of the Company's common stock to file reports of ownership and subsequent changes with the Securities and Exchange Commission. Based only on a

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review of copies of such reports and written representations delivered to the Company by such persons, the Company believes that there were no violations of Section 16(a) by such persons during 2004.

**Required Certifications**

We have filed as exhibits to this Form 10-K/A for the year ended December 31, 2004, the certifications of our Chief Executive Officer and Chief Financial Officer required pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2004.

**Item 11. Executive Compensation.****Summary Compensation Table**

The following table sets forth, with respect to the Chief Executive Officer and each of the four other most highly compensated individuals serving as executive officers whose annual remuneration exceeded \$100,000 (the Named Executives), the compensation earned for services rendered during the years 2002 through 2004.

Name and Position in 2004	Year	Annual Compensation		Long-Term Compensation			
		Salary	Bonus	Other Annual Compensation <sup>(1)</sup>	Restricted Stock Awards <sup>(2)</sup>	Securities Underlying Options	All Other Compensation <sup>(4)</sup>
Gerhard E. Kurz	2004	\$ 500,000	\$ 584,000	\$ 970	\$		\$ 14,738
President and Chief Executive Officer	2003	\$ 500,000	\$ 100,000	\$ 1,167	\$ 746,750 <sup>(3)</sup>	100,000	\$ 13,920 <sup>(5)</sup>
	2002	\$ 394,327	\$ 500,000	\$ 1,114	\$		\$ 12,920
Hubert E. Thyssen	2004	\$ 285,000	\$ 90,000	\$ 352	\$		\$ 17,435
Vice President - Offshore Division	2003	\$ 285,000	\$ 46,000	\$ 332	\$ 96,900 <sup>(3)</sup>	55,000	\$ 16,714
	2002	\$ 256,045	\$ 60,000	\$ 420	\$		\$ 17,127
Vincent J. deSostoa	2004	\$ 221,667	\$ 101,000	\$	\$		\$ 14,111
Senior Vice President, Chief Financial Officer and Treasurer	2003	\$ 215,000	\$ 46,000	\$ 167	\$ 96,900 <sup>(3)</sup>	70,000	\$ 12,896 <sup>(5)</sup>
	2002	\$ 116,458	\$ 41,000	\$ 12,000	\$		\$
Alan R. Twaits	2004	\$ 188,500	\$ 75,000	\$ 1,145	\$		\$ 13,895
Senior Vice President, General Counsel and Secretary	2003	\$ 181,000	\$ 36,000	\$ 432	\$ 92,900 <sup>(3)</sup>	60,000	\$ 15,781 <sup>(5)</sup>
	2002	\$ 180,250	\$ 44,000	\$ 1,190	\$		\$ 11,768
Kenneth M. Rogers	2004	\$ 187,500	\$ 75,000	\$	\$	20,000	\$ 13,939
Senior Vice President Towing Division	2003	\$ 175,000	\$ 40,000	\$	\$ 20,000 <sup>(3)</sup>	12,000	\$ 10,341
	2002	\$ 155,000	\$ 38,000	\$	\$		\$ 544

- (1) For 2004, reflects club dues in the amount of \$970 for Mr. Kurz, \$352 for Mr. Thyssen and professional dues of \$1,145 for Mr. Twaits. For 2003, reflects club dues in the amount of \$1,167 for Mr. Kurz, \$332 for Mr. Thyssen and professional dues of \$167 for Mr. deSostoa and \$432 for Mr. Twaits. For 2002, reflects dues

in the amount of \$1,114 for Mr. Kurz and \$420 for Mr. Thyssen, \$12,000 relocation expenses for Mr. deSostoa, and professional dues of \$1,190 for Mr. Twaits.

- (2) The number and value of the aggregate restricted stock holdings of the Named Executives as of December 31, 2004 was 208,800 shares and \$2,528,560, respectively, based on the stock price as of December 31, 2004. Of the aggregate, 28,800 shares of restricted stock will become non-forfeitable ratably in thirds on March 2, 2005, March 2, 2006, and March 7, 2007; 105,000 shares will become non-forfeitable on February 25, 2008; and 75,000 are non-forfeitable. At the effective time of the Merger, all restricted stock will become non-forfeitable and will be exchanged for shares of common stock of SEACOR

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Holdings, Inc. subject to the exchange ratio of (i) 0.2694 shares of SEACOR common stock for each share of Company common stock and (ii) \$4.00 in cash.

- (3) For 2003, in lieu of a portion of cash bonuses, bonuses in the form of restricted stock were granted to the Named Executives as set forth below. For Mr. Kurz, 20,000 bonus shares become non-forfeitable ratably on March 2, 2005, 2006, and 2007. For each of Messrs. Thyssen and deSostoa, 2,400 bonus shares become non-forfeitable ratably on March 2, 2005, 2006, and 2007, respectively. For Mr. Twaits, and Mr. Rogers, 2,000 bonus shares become non-forfeitable ratably on March 2, 2005, 2006, and 2007, respectively. In addition, in 2003 grants of restricted stock for longer term compensation, becoming non-forfeitable on February 25, 2008, were made as follows: 75,000 shares for Mr. Kurz, and 10,000 shares for each of Messrs. Thyssen, deSostoa and Twaits. At the effective time of the Merger, all restricted stock will become non-forfeitable and will be exchanged for shares of common stock of SEACOR Holdings, Inc. subject to the exchange ratio of (i) 0.2694 shares of SEACOR common stock for each share of Company common stock and (ii) \$4.00 in cash.
- (4) For 2004, reflects 401(k) contributions of \$13,000 each for Messrs. Kurz, deSostoa and Rogers, \$12,952 for Mr. Twaits, retirement plan contributions of \$17,435 for Mr. Thyssen and life insurance premiums of \$1,738 for Mr. Kurz, \$1,111 for Mr. deSostoa, \$939 for Mr. Rogers and \$944 for Mr. Twaits. For 2003, reflects 401(k) contributions of \$12,000 each for Messrs. Kurz and Twaits, \$10,750 for Mr. deSostoa, retirement plan contributions of \$16,714 for Mr. Thyssen and life insurance premiums of \$1,920 for Mr. Kurz, \$896 for Mr. deSostoa, and \$768 for Mr. Twaits. For 2002, reflects 401(k) contributions of \$11,000 each for Messrs. Kurz and Twaits, retirement plan contribution of \$17,127 for Mr. Thyssen and life insurance premium payments of \$1,920 for Mr. Kurz and \$768 for Mr. Twaits.
- (5) Includes employer contributions to the deferred compensation plan of \$1,250 for Mr. deSostoa, and \$3,013 for Mr. Twaits.

**Stock Option Grants in 2004**

The following table contains information concerning stock options granted to each of the Named Executives in 2004.

Name	Individual Grants				Potential Realizable Value at	
	Number of	Percent of	Per Share Exercise Price	Expiration Date	Assumed Annual Rates of Stock Appreciation for Option Term <sup>(1)</sup>	
	Underlying Options Granted	Options Granted to Employees			5%	10%
Gerhard E. Kurz		%	\$		\$	\$
Hubert E. Thyssen		%	\$		\$	\$
Vincent J. deSostoa		%	\$		\$	\$
Alan R. Twaits		%	\$		\$	\$
Kenneth M. Rogers	20,000	13.6%	\$ 10.00	3/02/14	\$ 125,778.49	\$ 318,748.49

- (1) The dollar amounts are the result of calculations at specified rates of appreciation and are not intended to forecast possible future appreciation.





**Table of Contents****Year-end Option Values**

The following table contains information concerning year-end value of unexercised options for each of the Named Executives. No options were exercised in 2004 by any of the Named Executives.

Name	Number of Securities Underlying		Value of Unexercised In-the-Money Options at December 31, 2004	
	Unexercised Options at December 31, 2004		Options at December 31, 2004	
	Exercisable	Unexercisable	Exercisable	Unexercisable
Gerhard E. Kurz	250,000	75,000	\$ 1,421,250	\$ 308,250
Hubert E. Thyssen	46,750	41,250	\$ 217,392	\$ 169,537
Vincent J. deSostoa	17,500	52,500	\$ 71,925	\$ 215,775
Alan R. Twaits	37,000	45,000	\$ 203,170	\$ 184,950
Kenneth M. Rogers	4,000	28,000	\$ 19,280	\$ 80,760

Upon a qualified termination within two years after the effective time of the Merger, all outstanding options will vest and become exercisable for shares of common stock of SEACOR Holdings, Inc., subject to the exchange ratio of (1) 0.2694 shares of SEACOR common stock for each share of Company common stock and (ii) \$4.00 in cash.

**Stock Grants in 2005**

On January 19, 2005 the Compensation Committee granted stock options for 54,000 shares at a market value of \$12.70 per share that vest ratably over three years and restricted stock for 63,000 shares that become non-forfeitable ratably over three years, to the five Named Executives under the Company's Amended and Restated Equity Ownership Plan. The Board of Directors ratified the grants on January 20, 2005.

**Employment and Severance Agreements**

The Company has an Employment Agreement, as amended, with Mr. Kurz to serve as President and Chief Executive Officer. The Agreement, which expires September 13, 2007, provides for an annual base salary of \$500,000, subject to annual review by the Board of Directors for possible upward adjustment based on Company policy and contributions made by Mr. Kurz. Mr. Kurz is eligible for a bonus targeted to 100% of his base salary, based upon the Company's achievement of performance targets agreed upon annually. If Mr. Kurz's employment is terminated by the Company without cause or for good reason (each as defined in the agreement), he is entitled to an amount equal to the sum of two times his annual base salary plus two times his annual maximum bonus for the year in which termination occurs. During 2004 the Employment Agreement was amended to provide that (1) his stock options and restricted stock become exercisable and non-forfeitable, respectively, in full upon termination within two years after a change of control, as defined; (2) such options remain exercisable for thirty-six months after termination; (3) any excess parachute excise tax imposed is subject to a gross-up payment provision payable by the Company; and (4) his severance payment for termination within two years after a change of control shall be in a single lump sum. In April 2005 the Employment Agreement was further amended to provide for payment of 100% of the 2005 maximum incentive award for 2005 performance under the Company's Management Annual Incentive Compensation Plan for the 2005 calendar year, pro rata to date of termination should he terminate in 2005; and for payment of unused vacation days accrued during the year of termination.

In April, 2003 the Company entered into Severance Agreements with four executive officers Vincent deSostoa, Senior Vice President and Chief Financial Officer, Larry Francois, Senior Vice President and President Seabulk Offshore, Hubert Thyssen, Senior Vice President Seabulk Offshore, and Alan R. Twaits, Senior Vice President, General Counsel and Secretary; and in May 2004 entered into

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Severance Agreements with three other executive officers Michael Pellicci, Senior Vice President Finance and Planning, Treasurer and Chief Accounting Officer; Kenneth Rogers, Senior Vice President and President Seabulk Towing; and L. Stephen Willrich, Senior Vice President and President Seabulk Tankers. These Severance Agreements provide for severance payments in the amount of one year's base salary and one year's bonus based on the last full year's bonus. The executive also receives the gross-up of certain payments which may be subject to excise taxes under the Internal Revenue Code as parachute payments so that the executive receives the same amount he would have received had there been no applicable excise taxes; and medical plan coverage for one year with the same employee contribution requirements as prior to any involuntary termination without cause. The Agreements also provide that all outstanding options become exercisable upon termination after a change of control, and that such options remain exercisable for thirty-six months after termination. The Agreements have an initial term of two years, with renewals for additional two-year terms unless terminated by the Company before expiration of the renewal period. In April 2005 the Severance Agreements were amended to provide for payment of 100% of the 2005 maximum incentive award specified for each executive for 2005 performance under the Company's Management Annual Incentive Compensation Plan for the 2005 calendar year, pro rata to date of termination should he terminate in 2005; and for payment of unused vacation days accrued during the year of termination. The Severance Agreements do not require shareholders' approval.

## **Other Amendments in 2005**

In April 2005 the Amended and Restated Equity Ownership Plan was amended to eliminate a provision which could potentially limit the vesting of stock options already granted in order to avoid potential gross up payments by the Company for excess parachute excise taxes under the Internal Revenue Code upon termination of certain executives.

In April 2005 the Stock Option Agreements for employees with stock options were amended to eliminate a provision which could potentially limit the vesting of stock options already granted in order to avoid potential gross up payments by the Company for excess parachute excise taxes under the Internal Revenue Code upon termination of certain executives; and to eliminate a provision permitting the Company to repurchase the shares acquired by an employee after exercise of his options upon termination of the employee.

In April 2005 the Stock Option Plan for Directors was amended to permit appropriate adjustments of options to convert to options and stock of the company with which the Company is merging.

In April 2005 the Executive Deferred Compensation Plan was revised to permit stock units in the Plan to be converted into the stock of the company with which the Company is merging.

## **Director Compensation**

Directors not employed by the Company are paid an annual retainer of \$24,000 plus \$1,500 per Board meeting and \$1,000 per Committee meeting (\$750 and \$500, respectively, if telephonic) attended. They are reimbursed by the Company for reasonable out-of-pocket expenses incurred for attendance at such meetings in accordance with Company policy. All Committee chairmen not employed by the Company are also paid an annual retainer of \$5,000.

Under the Stock Option Plan for Directors, each non-employee director is granted annual stock options exercisable for 4,000 shares on every Annual Meeting date. The Chairman of the Board of Directors, if a non-employee, is entitled to receive annual stock options for 8,000 shares. In 2004 each non-employee director was granted options to purchase 4,000 shares. In his initial year, a director is granted options to purchase 10,000 shares on the date of the Annual Meeting. All director options vest on the anniversary of each grant. Therefore, all director options will have vested before the effective time of the merger.



**Table of Contents****Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The following table sets forth certain information regarding beneficial ownership of the Company's Common Stock as of April 1, 2005 by (i) each person who is known by the Company to be the beneficial owner of more than five percent of the Company's outstanding Common Stock, (ii) each director of the Company, (iii) each Named Executive, and (iv) all directors and executive officers of the Company as a group. Except as otherwise indicated, the Company believes that the beneficial owners of the Common Stock listed, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable.

<b>Name and Address of Beneficial Owner</b> <sup>(1)</sup>	<b>Shares Beneficially Owned</b> <sup>(2)(3)</sup>	<b>Percent Beneficially Owned</b> <sup>(2)</sup>
Nautilus Acquisition, L.P. <sup>(4)</sup> c/o DLJ Merchant Banking Partners 11 Madison Avenue New York, New York 10010	11,820,195	49.7%
C/R Marine Non-U.S. Partnership, L.P. <sup>(5)</sup> c/o Riverstone Holdings LLC 712 Fifth Avenue, 19 <sup>th</sup> Floor New York, New York 10019	3,757,560	15.8%
Dimensional Fund Advisors, Inc. 1299 Ocean Ave., 11 <sup>th</sup> Floor Santa Monica, CA 90401	1,587,695	6.7%
C/R Marine Domestic Partnership, L.P. <sup>(5)</sup> c/o Riverstone Holdings LLC 712 Fifth Avenue, 19 <sup>th</sup> Floor New York, New York 10019	1,218,937	5.1%
C/R Marine Coinvestment, L.P. <sup>(5)</sup> c/o Riverstone Holdings LLC 712 Fifth Avenue, 19 <sup>th</sup> Floor New York, New York 10019	512,899	2.2%
Gerhard E. Kurz	470,000	2.0%
C/R Marine Coinvestment II, L.P. <sup>(5)</sup> c/o Riverstone Holdings LLC 712 Fifth Avenue, 19 <sup>th</sup> Floor New York, New York 10019	368,435	1.6%
Hubert E. Thyssen	82,900	*
Alan R. Twaits	73,000	*

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Vincent J. deSostoa	57,400	*
Robert L. Keiser	31,000	*
Thomas P. Moore, Jr.	30,000	*
Peter H. Cressy	26,000	*
Kenneth M. Rogers	25,667	*
David A. Durkin c/o DLJ Merchant Banking Partners 11 Madison Avenue New York, New York 10010	14,000	*
Kenneth V. Huseman	14,000	*
Pierre F. Lapeyre, Jr.	14,000	*

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<b>Name and Address of Beneficial Owner <sup>(1)</sup></b>	<b>Shares Beneficially Owned<sup>(2)(3)</sup></b>	<b>Percent Beneficially Owned<sup>(2)</sup></b>
David M. Leuschen	14,000	*
Steven A. Webster	14,000	*
Daniel H. Clare c/o DLJ Merchant Banking Partners 11 Madison Avenue New York, New York 10010		*
All executive officers and directors as a group (14 persons)	861,967	3.6%

\* Less than one percent

- (1) Unless otherwise indicated, the address of each of the persons whose name appears in the table above is: c/o Seabulk International, Inc., 2200 Eller Drive, P.O. Box 13038, Fort Lauderdale, Florida 33316.
- (2) Includes shares issuable upon the exercise of options that have vested and are exercisable within 60 days of the date of the filing of this Form 10-K/A. The shares underlying such options are deemed to be outstanding for the purpose of computing the percentage of outstanding stock owned by such persons individually and by each group of which they are a member, but are not deemed to be outstanding for the purpose of computing the percentage of any other person.
- (3) Includes shares of all restricted stock issued, some of which become non-forfeitable in the future.
- (4) Includes 11,737,830 shares of our common stock owned by Nautilus. Also includes 82,365 shares of our common stock issuable upon exercise of our Common Stock Purchase Warrants held by Nautilus, which warrants have an exercise price of \$0.01 per share. Nautilus Intermediary, L.P., Nautilus sole general partner (which we refer to as Nautilus Intermediary in this 10-K/A), Nautilus AIV, L.P., Nautilus Intermediary's sole general partner (which we refer to as Nautilus AIV in this 10-K/A) and Nautilus GP, LLC, Nautilus AIV's managing general partner (which we refer to as Nautilus GP in this 10-K/A), may be deemed to have beneficial ownership with respect to our securities held by Nautilus. We are referring to Nautilus, Nautilus Intermediary, Nautilus AIV and Nautilus GP collectively as the Nautilus Entities in this 10-K/A. The partnership agreements of each of Nautilus, Nautilus Intermediary and Nautilus AIV grant, directly or indirectly, the exclusive management and decision making authority (including voting and dispositive power) with respect to our securities held by Nautilus to Nautilus GP. The members of Nautilus GP are W.M. Craig, Jr., Merkur-Nautilus Holdings, LLC, Turnham-Nautilus Holdings, LLC and Credit Suisse First Boston Private Equity, Inc. (which we are referring to as CSFBPE in this 10-K/A). DLJ Merchant Banking Partners III, L.P. (which we are referring to as Partners III in this 10-K/A) is a limited partner of Nautilus Intermediary. Certain investment partnerships affiliated with Partners III (which, collectively with Partners III, we are referring to as the CSFBPE Funds in this 10-K/A) are the limited partners of Nautilus. DLJ Merchant Banking III, L.P. is also a general partner of Nautilus AIV, however, it does not have any decision making authority (including voting and dispositive power) with respect to the investment in us. Credit Suisse First Boston, a Swiss bank (which we are referring to as the Bank in this 10-K/A) owns a majority of the voting stock of Credit Suisse First Boston, Inc., which in turn owns all of the voting stock of Credit Suisse First Boston (USA), Inc. (which we are referring to as CSFB-USA in this 10-K/A). CSFBPE is a subsidiary of CSFB-USA and the CSFBPE Funds are merchant banking funds managed



by subsidiaries of CSFB-USA. While the Bank and its subsidiaries, to the extent that they constitute part of the investment banking business (which we are collectively referring to as the CSFB Entities in this 10-K/A) of Credit Suisse First Boston business unit, disclaim beneficial ownership of our securities held by Nautilus, as a result of the relationship of the CSFB Entities to, and the pecuniary interest of the CSFB Entities in, Partners III, Nautilus AIV and CSFBPE as described above, the CSFB Entities may be deemed to beneficially own our securities held by Nautilus. The ultimate parent company of the Bank is Credit Suisse Group (which we are referring to as CSG in this 10-K/A). CSG disclaims beneficial ownership of the securities owned by its direct and indirect subsidiaries, including Nautilus. Due to their interest in Nautilus GP, Mr. Craig, Merkur-Nautilus Holdings, LLC and Turnham-Nautilus Holdings, LLC may be deemed to beneficially own the shares of our common stock held by Nautilus. Mr. Craig, Merkur-Nautilus Holdings, LLC and Turnham-Nautilus Holdings, LLC disclaim any such beneficial ownership. The Nautilus Entities and the CSFB Entities may be considered a group together with the Carlyle/Riverstone Investment Partnerships (as defined in Note (5) below) and therefore be deemed to beneficially own the shares beneficially owned by the Carlyle/Riverstone Investment Partnerships, but no such entity affirms the existence of any such group. Each of the Nautilus Entities and the CSFB Entities disclaim any such beneficial ownership.

- (5) The share numbers in the above table representing the shares of common stock owned by C/R Marine Domestic Partnership, L.P., C/R Marine Non-U.S. Partnership, L.P., C/R Marine Coinvestment L.P., and C/R Marine Coinvestment II, L.P. (collectively referred to as the Carlyle/Riverstone Investment Partnerships ), includes 5,816,649 shares of our common stock owned by the Carlyle/Riverstone Investment Partnership and 41,182 shares of our common stock issuable upon exercise of our common stock purchase warrants held by the Carlyle/Riverstone Investment Partnerships, which warrants have an exercise price of \$0.01 per share. C/R Marine GP Corp. exercises investment discretion and control over the all shares held by the Carlyle/Riverstone Investment Partnerships directly through its capacity as the sole general partner of the Carlyle/Riverstone Investment Partnerships. William E. Conway, Jr., Daniel A. D Aniello, David M. Rubenstein, Pierre F. Lapeyre, Jr., David M. Leuschen and Jim H. Derryberry, as the officers and directors of C/R Marine GP Corp., may be deemed to share beneficial ownership of the shares shown as beneficially owned by the Carlyle/Riverstone Investment Partnerships. Such persons disclaim such beneficial ownership. Each of the Carlyle/Riverstone Investment Partnerships may be deemed to beneficially own the shares by the other the Carlyle/Riverstone Investment Partnerships. Such partnerships disclaim such beneficial ownership. Such entities may be considered a group together with Nautilus and therefore be deemed to beneficially own the shares owned by Nautilus. Such entities disclaim any such beneficial ownership.

**Table of Contents****Equity Compensation Plan Information**

The following table provides information as of April 1, 2005 about the shares of the Company's common stock issuable under the equity compensation plans maintained for employees and directors.

<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options</b>	<b>Weighted average exercise price of outstanding options</b>	<b>Number of securities remaining available for future issuance</b>
Equity compensation plans approved by security holders	1,464,831	\$ 8.53	673,196
Equity compensation plans not approved by security holders			
<b>Total</b>	1,464,831	\$ 8.53	673,196

**Change of Control**

On March 16, 2005, the Company and SEACOR Holdings, Inc. ( "SEACOR" ), entered into a merger agreement (the "Merger Agreement" ) with SBLK Acquisition Corp., a Delaware corporation and a direct, wholly owned subsidiary of SEACOR ( "Merger Sub" ) and CORBULK LLC, a Delaware limited liability company and a direct, wholly owned subsidiary of SEACOR ( "LLC" ). The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, the Merger Sub will merge with and into the Company, with the Company continuing as the surviving corporation and a direct, wholly owned subsidiary of SEACOR (the "Merger" ). A special meeting of stockholders of the Company is expected to be scheduled in June 2005 to consider and approve the Merger. The Merger, if it is approved by the stockholders of the Company and SEACOR and it is completed as anticipated by the Company, will constitute a change of control of the Company.

**Item 13. Certain Relationships and Related Transactions.**

As part of the equity investment transaction completed in September 2002, the Company, the investors, Nautilus, the C/R Entities and Gerhard Kurz entered into a Stockholders Agreement dated as of September 13, 2002 which included provisions relating to the right of the investors to designate the majority of the directors on the Board of Directors, independent director oversight of affiliated party transactions, certain protective rights to minority shareholders, and related amendments to the Company's Certificate of Incorporation and By-laws.

**Item 14. Principal Accountant Fees and Services.**

Ernst & Young, LLP ( "E&Y" ) is the independent registered public accounting firm that audits the financial statements of the Company and its subsidiaries and is the principal accountant for the audit of the Company.



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Aggregate fees for professional services rendered by E&Y for the Company in 2004 and 2003 were:

	<b>2004</b>	<b>2003</b>
Audit Fees	\$ 1,018,713	\$ 1,082,173
Audit-Related Fees	75,869	58,121
Tax Fees	438,390	28,296
All Other Fees	n/a	n/a
<b>Total</b>	<b>\$ 1,532,972</b>	<b>\$ 1,168,590</b>

Audit fees relate to the audit services and quarterly reviews, as well as the preparation of comfort letters, consents and review of documents filed with the SEC.

Audit-related fees relate primarily to the audits of the Company's benefit plans and accounting research and consultation.

Tax fees relate to tax planning and consulting services and preparation and review of our tax returns.

All other fees relate to services not classifiable under the other categories listed in the table above. No such services were rendered by E&Y during the last two years.

The Audit Committee pre-approves all audit, audit-related, and non-audit services provided by the Company's independent registered public accounting firm prior to the engagement of the independent registered public accounting firm with respect to such services. In addition to separately approved services, the Audit Committee's pre-approval policy provides for pre-approval of specifically described audit, audit-related, and non-audit services on an annual basis. The policy authorizes the Committee to delegate to one or more of its members pre-approval authority with respect to permitted services. None of the services described above were approved by the Audit Committee under the de minimis exception provided by Rule 2-01(c)(7)(i)(C) under Regulation S-X.

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**Part IV**

**Item 15. Exhibits, Financial Statement Schedules.**

(a) **Financial Statements and Schedules.** See Index to Consolidated Financial Statements and Schedules which appears on page F-1 herein.

(b) **Lists of Exhibits.** The following is a list of exhibits furnished. Copies of exhibits will be furnished upon request of any stockholder at a charge of \$0.25 per page plus postage. The Company hereby files as part of this Form 10-K/A the exhibits required by Item 15(c) listed below. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference facilities maintained by the Commission, 450 Fifth Street N.W., Room 1024, Washington, D.C. 29549 and at the Commission's regional office at CitiCorp Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661-2511. Copies of such material can also be obtained from the Public Reference Section of the Commission, 450 Fifth Street N.W., Washington, D.C. 29549, at prescribed rates.

**Table of Contents****EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>	<b>Incorporated by Reference to Registration or File No.</b>	<b>Form or Report</b>	<b>File Date</b>
2.1	Debtor's First Amended Joint Plan of Reorganization, dated November 1, 1999, and related Disclosure Statement filed with the U.S. Bankruptcy Court for the District of Delaware	000-28732	13D/A	Dec. 1999
3.1(a)	Certificate of Incorporation		10-K	Apr. 2000
3.1(b)	Certificate of Merger		10-K	Apr. 2000
3.1(c)	Certificate of Merger changing the name of the Company		10-K	Mar. 2002
3.1(d)	Certificate of Amendment		8-K	Sept. 2002
3.2	Amended and Restated By-Laws of the Company		8-K	Sept. 2002
3.3	Bylaws, revised effective October 5, 2004		8-K	Oct. 2004
4.1	Form of Common Stock Certificate of the Company			
4.1(a)	Form of Common Stock Certificate reflecting new name of the Company	000-28732	10-K	Mar. 2001
4.2	Form of Class A Warrant Certificate of the Company	333-30390	S-3	Feb. 2000
4.2(a)	Form of Class A Warrant Certificate reflecting new name of the Company	000-28732	10-K	Mar. 2001
4.3	Warrant Agreement, dated December 15, 1999, between Hvide Marine Incorporated and State Street Bank and Trust Company as Warrant Agent	333-30390	S-3/A	May 2000
4.4	Class A Warrant Agreement, dated as of December 15, 1999, by and between Hvide Marine Incorporated and State Street Bank and Trust Company	333-30390	S-3	Feb. 2000
4.5	Amended and Restated Equity Ownership Plan	000-28732	14A	Apr. 2003
4.5(a)	Amendment to Amended and Restated Equity Ownership Plan			

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4.6	Stock Option Plan for Directors	000-28732	14A	Apr. 2003
4.6(a)	Amendment to Stock Option Plan for Directors			
4.7	Indenture, dated as of August 5, 2003, among Seabulk International, Inc., the Guarantors named therein, and Wachovia Bank, National Association, as Trustee (including forms of notes)	333-110138	S-4	Oct. 2003
4.8	Registration Rights Agreement dated as of August 5, 2003 between Seabulk International, Inc. and Credit Suisse First Boston LLC, Banc of America Securities LLC, RBC Dominion Securities Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated	333-110138	S-4	Oct. 2003
4.9	Supplemental Indenture, dated as of October 3, 2003, among Seabulk International, Inc., the Guarantors named therein, and Wachovia Bank, National Association, as Trustee	333-110138	S-4	Oct. 2003
10.1	Common Stock Registration Rights Agreement, dated December 15, 1999, among Hvide Marine Incorporated, Bankers Trust Corporation and Great American Life Insurance Company, Great American Insurance Company, New Energy	000-28732	8-K	Dec. 1999

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<b>Exhibit No.</b>	<b>Description</b>	<b>Incorporated by Reference to Registration or File No.</b>	<b>Form or Report</b>	<b>File Date</b>
	Corp., American Empire Surplus Lines Insurance Company, Worldwide Insurance Company and American National Fire Insurance Company as Purchasers			
10.2*	Employment Agreement dated as of April 18, 2000 between the Company and Gerhard E. Kurz	000-28732	10-K	Mar. 2001
10.3*	Amendment to Employment Agreement dated July 16, 2001 between the Company and Gerhard E. Kurz	000-28732	10-K	Mar. 2002
10.4	Stock Purchase Agreement by and among Seabulk International, Inc. and the Investors listed on Schedule 1 thereto, dated as of June 13, 2002	000-28732	8-K	June 2002
10.5	Stockholders Agreement, dated as of September 13, 2002, among Seabulk International, Inc., Nautilus Acquisition, L.P., C/R Marine Domestic Partnership, L.P., C/R Marine Non-U.S. Partnership, L.P., C/R Marine Coinvestment, L.P., C/R Marine Coinvestment II, L.P. and Gerhard Kurz	000-28732	8-K	Sept. 2002
10.6*	Amendment to Employment Agreement, dated as of September 13, 2002, between the Company and Gerhard E. Kurz	000-28732	8-K	Sept. 2002
10.7*	Severance Agreement and Release between the Company and Andrew W. Brauninger	000-28732	10-Q	May 2003
10.8	Seabulk International, Inc. Executive Deferred Compensation Plan	000-28732	10-Q	May 2003
10.8(a)	Amendment to Seabulk International, Inc. Executive Deferred Compensation Plan			
10.9	Summary Provisions of the Seabulk International, Inc. Management Annual Incentive Compensation Plan	000-28732	10-Q	May 2003
10.10	Amended and Restated Credit Agreement, dated as of August 5, 2003, among Seabulk International, Inc., each Subsidiary Guarantor, Fortis Capital Corp., NIB Capital Bank N.V. and each other financial institution which may become a party to the Agreement as a Lender, Fortis Capital Corp., as administrative agent on behalf of the Lenders, and as book runner and as an arranger, and NIB Capital Bank N.V., as an arranger	333-110138	S-4	Oct. 2003



10.11	Supplemental Indenture, dated as of March 22, 2004, among Seabulk International, Inc., the Guarantors named therein, and Wachovia Bank, National Association, as Trustee	000-28732	10-K	Mar. 2004
10.12	Loan Agreement among Seabulk Global Transport, Inc. and Seabulk Overseas Transport, Inc., as Joint and Several Borrowers, the Guarantors named therein, the Banks and Financial Institutions listed therein, Nordea Bank Finland PLC, New York Branch, as Arranger and Agent, Nordea Bank Finland PLC, New York Branch, as Security Trustee, and Nordea Bank	000-28732	10-K	Mar. 2004

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<b>Exhibit No.</b>	<b>Description</b>	<b>Incorporated by Reference to Registration or File No.</b>	<b>Form or Report</b>	<b>File Date</b>
	Finland PLC, New York Branch, as Swap Provider			
10.13	Amendment Number 1 to the Amended and Restated Credit Agreement dated as of March, 2004	000-28732	10-Q	Apr. 2004
10.14*	Severance Agreement between the Company and Vincent J. deSostoa dated April 10, 2003	000-28732	10-Q	Aug. 2004
10.15*	Severance Agreement between the Company and Larry D. Francois dated April 10, 2003	000-28732	10-Q	Aug. 2004
10.16*	Severance Agreement between the Company and Alan R. Twaits dated April 10, 2003	000-28732	10-Q	Aug. 2004
10.17*	Severance Agreement between the Company and Hubert E. Thyssen dated April 21, 2003	000-28732	10-Q	Aug. 2004
10.18*	Severance Agreement between the Company and Michael J. Pellicci dated as of May 27, 2004	000-28732	10-Q	Aug. 2004
10.19*	Severance Agreement between the Company and Kenneth M. Rogers dated as of May 27, 2004.	000-28732	10-Q	Aug. 2004
10.20*	Severance Agreement between the Company and L. Stephen Willrich dated as of May 27, 2004	000-28732	10-Q	Aug. 2004
10.21	Subsidiary Guarantee Agreement dated as of March 16, 2004, among Seabulk International, Inc., the Subsidiary Guarantors named therein, Fortis Capital Corp, as Agents for the Counterparties to the Swap Agreements, Fortis Capital Corp., as Counterparty, NIB Capital Bank N.V., as Counterparty, and HBOS Treasury Services PLC, as Counterparty	000-28732	10-Q	Aug. 2004
10.22	Supplemental Credit Agreement dated as of June 17, 2004 between Seabulk International, Inc., as Borrower, and Fortis Capital Corp., as Agent	000-28732	10-Q	Aug. 2004
10.23	First Supplemental Subsidiary Guarantee Agreement dated as of June 17, 2004 between Seabulk International, Inc., as Borrower, and Fortis Capital Corp., as Agent	000-28732	10-Q	Aug. 2004
10.24	Loan Agreement in the amount of U.S. \$11,840,000 dated October 5, 2004 between Seabulk Angola, Inc., as Borrower,	000-28732	8-K	Oct. 2004

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and Caterpillar Financial Services Corporation, as Lender, for the construction and financing of the 65 meter anchor handling tug supply vessel *Seabulk Luanda*

10.25*	Amendment No. 1 to the Severance Agreement between the Company and Vincent J. deSostoa dated September 15, 2004	000-28732	10-Q	Nov. 2004
10.26*	Amendment No. 1 to the Severance Agreement between the Company and Larry D. Francois dated September 15, 2004.	000-28732	10-Q	Nov. 2004
10.27*	Amendment No. 1 to the Severance Agreement between the Company and Alan R. Twaits dated September 15, 2004	000-28732	10-Q	Nov. 2004
10.28*	Amendment No. 1 to the Severance Agreement between the Company and Hubert E. Thyssen dated September 15, 2004	000-28732	10-Q	Nov. 2004

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<b>Exhibit</b>		<b>Incorporated by Reference to Registration or</b>	<b>Form or</b>	<b>File</b>
<b>No.</b>	<b>Description</b>	<b>File No.</b>	<b>Report</b>	<b>Date</b>
10.29*	Amendment No. 1 to the Severance Agreement between the Company and Michael J. Pellicci dated September 15, 2004	000-28732	10-Q	Nov. 2004
10.30*	Amendment No. 1 to the Severance Agreement between the Company and Kenneth M. Rogers dated September 15, 2004	000-28732	10-Q	Nov. 2004
10.31*	Amendment No. 1 to the Severance Agreement between the Company and L. Stephen Willrich dated September 15, 2004	000-28732	10-Q	Nov. 2004
10.32*	Amendment No. 3 to Executive Employment Agreement by and between Gerhard E. Kurz and Seabulk International, Inc	000-28732	10-Q	Nov. 2004
10.33	Loan Agreement in the amount of Singapore \$14,384,000 dated July 15, 2004 between Seabulk Angola, Inc., as Borrower, and Caterpillar Financial Services Corporation, as Lender, for the construction and acquisition of the 162 terminal support vessel <i>Seabulk Angola</i>	000-28732	10-Q	Nov. 2004
10.34	Second Supplemental Credit Agreement dated August 6, 2004 between Seabulk International, Inc., as Borrower, and Fortis Capital Corp., as Agent	000-28732	10-Q	Nov. 2004
10.35	Second Supplemental Subsidiary Guarantee Agreement dated August 6, 2004 between Seabulk International, Inc., as Borrower, and Fortis Capital Corp., as Agent	000-28732	10-Q	Nov. 2004
10.36	Shipbuilding Contract dated October 26, 2004 between Seabulk Angola, Inc. and Labroy Shipbuilding and Engineering Pte Ltd. (Hull T145)	000-28732	10-Q	Nov. 2004
10.37	Shipbuilding Contract dated October 26, 2004 between Seabulk Angola, Inc. and Labroy Shipbuilding and Engineering Pte Ltd. (Hull T146)	000-28732	10-Q	Nov. 2004
10.38	Shipbuilding Contract dated October 26, 2004 between Seabulk Angola, Inc. and Labroy Shipbuilding and Engineering Pte Ltd. (Hull T147)	000-28732	10-Q	Nov. 2004
10.39	Shipbuilding Contract dated October 26, 2004 between Seabulk Angola, Inc. and Labroy Shipbuilding and Engineering Pte Ltd. (Hull T148)	000-28732	10-Q	Nov. 2004
10.40		000-28732	8-K	

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	Agreement for the Purchase and Sale of Selected Assets between Seabulk Transport, Inc. and Stolt-Nielsen Transportation Group, Inc. dated December 15, 2004			Dec. 2004
10.41*	Specimen form of Non-Qualified Stock Option Agreement	000-28732	8-K	Jan. 2005
10.41(a)*	Specimen form of Amendment to Non-Qualified Stock Option Agreement			
10.42*	Specimen form of Restricted Stock Agreement	000-28732	8-K	Jan. 2005
10.43*	Severance Agreement between the Company and Bryn D. Jones dated November 18, 2004	000-28732	10-K	Mar. 2005

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<b>Exhibit</b>		<b>Incorporated by Reference to Registration or</b>	<b>Form or</b>	<b>File</b>
<b>No.</b>	<b>Description</b>	<b>File No.</b>	<b>Report</b>	<b>Date</b>
10.44	Third Supplemental Credit Agreement dated December 10, 2004 between Seabulk International, Inc., as Borrower, and Fortis Capital Corp., as Agent	000-28732	10-K	Mar. 2005
10.45	Third Supplemental Subsidiary Guarantee Agreement dated December 10, 2004 between Seabulk International, Inc., as Borrower, and Fortis Capital Corp., as Agent	000-28732	10-K	Mar. 2005
10.46	Directors Compensation Statement			
10.47*	Amendment No. 4 to Executive Employment Agreement between Gerhard E. Kurz and Seabulk International, Inc. dated as of April 18, 2005			
10.48*	Specimen form of Amendment No. 2 to Form Severance Agreement			
21.	List of Subsidiaries	000-28732	10-K	Mar. 2005
23.1	Consent of Independent Registered Public Accounting Firm			
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934			
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934			
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Rule 13a-14(b) of the Securities Exchange Act of 1934 (furnished herewith)			
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Rule 13a-14(b) of the Securities Exchange Act of 1934 (furnished herewith)			
99.1	Order dated December 9, 1999 of the United States Bankruptcy Court for the District of Delaware the First Amended Joint Plan of Reorganization <i>in In re: Hvide Marine Incorporated</i> , et al., Case No. 99-3024 (PJW), including the Supplement to such Plan [incorporated by reference to Exhibit 99.1 of the	000-28732	8-K	Dec. 1999

Company's Form 8-K filed with the Commission on  
December 27, 1999 (Commission File No. 000-28732)]

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\* Indicates a management contract or compensation arrangement

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Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed on behalf of the registrant by the undersigned, thereunto duly authorized, on the 20<sup>th</sup> day of April, 2005.

SEABULK INTERNATIONAL, INC.

By: /s/ GERHARD E. KURZ

Gerhard E. Kurz  
Chairman, President, and Chief Executive  
Officer

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

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ GERHARD E. KURZ</u>  Gerhard E. Kurz	Chairman, President, and Chief Executive Officer (Principal Executive Officer)	April 20, 2005
<u>/s/ VINCENT J. deSOSTOA</u>  Vincent J. deSostoa	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	April 20, 2005
<u>/s/ MICHAEL J. PELLICCI</u>  Michael J. Pellicci	Senior Vice President Finance and Planning, Treasurer and Chief Accounting Officer (Principal Accounting Officer)	April 20, 2005
/s/ DANIEL H. CLARE	Director	



April 20,  
2005

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Daniel H. Clare

/s/ PETER H. CRESSY      Director      April 20,  
2005

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Peter H. Cressy

/s/ DAVID A. DURKIN      Director      April 20,  
2005

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David A. Durkin

/s/ KENNETH V. HUSEMAN      Director      April 20,  
2005

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Kenneth V. Huseman

/s/ ROBERT L. KEISER      Director      April 20,  
2005

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Robert L. Keiser

/s/ PIERRE F. LAPEYRE, JR.      Director      April 20,  
2005

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Pierre F. Lapeyre, Jr.

/s/ DAVID M. LEUSCHEN      Director      April 20,  
2005

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David M. Leuschen

/s/ THOMAS P. MOORE, JR.      Director      April 20,  
2005

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Thomas P. Moore, Jr.

/s/ STEVEN A. WEBSTER      Director      April 20,  
2005

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Steven A. Webster

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**Seabulk International, Inc. and Subsidiaries**

**Index to Consolidated Financial Statements**

<u>Report of Independent Registered Public Accounting Firm</u>	F-2
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<u>Consolidated Statements of Operations for the years ended December 31, 2004, 2003, and 2002</u>	F-4
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2004, 2003, and 2002</u>	F-5
<u>Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2004, 2003, and 2002</u>	F-7
<u>Notes to Consolidated Financial Statements</u>	F-9

All schedules have been omitted because the information is not applicable or is not material or because the information required is included in the consolidated financial statements or the notes thereto.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Stockholders  
Seabulk International, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Seabulk International, Inc. and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, cash flows, and changes in stockholders' equity, for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seabulk International, Inc. and Subsidiaries at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

As described in Note 2, the Company restated the accompanying consolidated statements of cash flows for the years ended December 31, 2003 and 2002.

/s/ Ernst & Young LLP  
Certified Public Accountants

Fort Lauderdale, Florida  
February 25, 2005

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**SEABULK INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except par value data)

	<b>December 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 18,949	\$ 7,399
Restricted cash	35,681	28,458
Trade accounts receivable net of allowance for doubtful accounts of \$5,649 in 2004 and \$4,321 in 2003, respectively	55,209	49,599
Other receivables	3,784	10,730
Marine operating supplies	7,868	8,155
Prepaid expenses and other current assets	3,627	3,045
<b>Total current assets</b>	<b>125,118</b>	<b>107,386</b>
Vessels and equipment, net	598,793	527,026
Deferred costs, net	45,053	48,486
Other	17,824	11,542
<b>Total assets</b>	<b>\$ 786,788</b>	<b>\$ 694,440</b>
 <b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 14,918	\$ 18,805
Current maturities of long-term debt	16,653	11,037
Current obligations under capital leases	3,708	3,521
Accrued interest	4,875	5,812
Accrued liabilities and other	35,321	37,363
<b>Total current liabilities</b>	<b>75,475</b>	<b>76,538</b>
Long-term debt	325,965	258,217
Senior notes	152,906	151,472
Obligations under capital leases	28,568	32,246
Other liabilities	4,879	3,136
<b>Total liabilities</b>	<b>587,793</b>	<b>521,609</b>
Commitments and contingencies		
Minority interest		476
Stockholders equity:		
Preferred stock, no par value-authorized 5,000; issued and outstanding, none	234	233

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Common stock-.01 par value, authorized 40,000 shares; 23,446 and 23,347 shares issued and outstanding in 2004 and 2003, respectively		
Additional paid-in capital	259,843	259,134
Accumulated other comprehensive income	55	
Unearned compensation	(758)	(699)
Accumulated deficit	(60,379)	(86,313)
Total stockholders' equity	198,995	172,355
Total liabilities and stockholders' equity	\$ 786,788	\$ 694,440

*See notes to consolidated financial statements.*

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**SEABULK INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)

	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Revenue	\$ 352,328	\$ 316,558	\$ 323,997
Vessel and voyage expenses:			
Crew payroll and benefits	88,893	86,409	88,473
Charter hire	13,848	9,575	7,607
Repairs and maintenance	26,560	27,282	30,345
Insurance	11,915	13,285	11,385
Fuel and consumables	30,316	25,405	28,365
Port charges and other	20,912	17,720	16,383
	192,444	179,676	182,558
General and administrative	37,526	38,043	38,657
Depreciation, amortization and drydocking	66,132	65,373	66,376
Write-down of assets held for sale		1,219	
Gain on disposal of assets	(4,116)	(1,463)	(1,364)
Income from operations	60,342	33,710	37,770
Other income (expense):			
Interest expense	(33,888)	(33,853)	(44,715)
Interest income	309	355	475
Minority interest in (gains) losses of subsidiaries	(419)	147	219
Loss on early extinguishment of debt		(1,567)	(27,823)
Other, net	4,624	481	(154)
Total other income (expense), net	(29,374)	(34,437)	(71,998)
Income (loss) before provision for income taxes	30,968	(727)	(34,228)
Provision for income taxes	5,034	4,238	4,642
<b>Net income (loss)</b>	<b>\$ 25,934</b>	<b>\$ (4,965)</b>	<b>\$ (38,870)</b>
Net income (loss) per common share:			
Net income (loss) per common share basic	\$ 1.11	\$ (0.21)	\$ (2.72)
Net income (loss) per common share diluted	\$ 1.09	\$ (0.21)	\$ (2.72)
Weighted average common shares outstanding basic	23,264	23,176	14,277
Weighted average common shares outstanding diluted	23,761	23,176	14,277

*See notes to consolidated financial statements.*



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**SEABULK INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	As of December 31,		
	2004	2003	2002
	(as restated, see Note 2)		
<b>Operating activities:</b>			
Net income (loss)	\$ 25,934	\$ (4,965)	\$ (38,870)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization of vessels and equipment	40,537	42,330	43,711
Expenditures for drydocking	(22,931)	(31,539)	(23,441)
Amortization of drydocking costs	25,595	23,043	22,665
Amortization of discount on long-term debt and deferred financing costs	1,701	1,531	4,249
Amortization of unearned compensation	255	238	99
Provision for (recovery of) bad debts	1,774	(79)	(93)
Gain on disposal of assets	(4,116)	(1,463)	(1,364)
Loss on early extinguishment of debt		1,567	27,823
Minority interest in gains (losses) of subsidiaries	419	(147)	(219)
Write-down of assets held for sale		1,219	
Senior and notes payable issued for payment of interest and fees			626
Other non-cash items	60		551
Changes in operating assets and liabilities:			
Trade accounts and other receivables	(438)	(8,404)	12,043
Other current and long-term assets	(3,517)	1,099	(4,129)
Accounts payable and other liabilities	(6,128)	13,893	(6,039)
Net cash provided by operating activities	59,145	38,323	37,612
<b>Investing activities:</b>			
Purchases of vessels and equipment	(112,740)	(30,683)	(3,753)
Proceeds from disposals of assets	6,363	9,425	12,675
Investment in joint venture	(300)	(400)	
Acquisition of minority interest	(2,410)		
Net cash (used in) provided by investing activities	(109,087)	(21,658)	8,922



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**SEABULK INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
	(as restated, see Note 2)		
<b>Financing activities:</b>			
Net payments of revolving credit facility			(9,000)
Payments of prior credit facility		(148,179)	(125)
Proceeds from prior credit facility			178,800
Payments of prior Senior notes			(101,499)
Proceeds from 2003 Senior Notes		150,000	
Proceeds of Private placement, net of issuance costs			90,901
Payments on Amended Credit Facility	(1,483)		
Proceeds from Amended Credit Facility	20,000		
Payments of long-term debt	(7,856)	(7,408)	(165,817)
Proceeds from long-term debt	69,851	8,622	
Payments of Title XI bonds	(7,148)	(7,378)	(7,166)
Retirement of Title XI bonds		(11,181)	
Payments of deferred financing costs under prior credit facility		(88)	(4,128)
Payments of deferred financing costs under Senior notes and amended credit facility	(285)	(5,458)	
Payments of other deferred financing costs	(1,269)	(226)	
Net proceeds from sale leaseback		13,274	
Payments of obligations under capital leases	(3,491)	(9,422)	(2,986)
Proceeds from exercise of stock options	396	307	42
Proceeds from exercise of warrants		2	1
Increase in restricted cash	(7,223)	(9,675)	(12,435)
Net cash provided by (used in) financing activities	61,492	(26,810)	(33,412)
Change in cash and cash equivalents	11,550	(10,145)	13,122
Cash and cash equivalents at beginning of period	\$ 7,399	\$ 17,544	\$ 4,422
<b>Cash and cash equivalents at end of period</b>	<b>\$ 18,949</b>	<b>\$ 7,399</b>	<b>\$ 17,544</b>
<b>Supplemental schedule of non-cash investing and financing activities:</b>			
Obligation for fair market value of interest rate swap	\$ 1,434	\$ 1,472	\$
Vessels exchanged for drydock expenditures	\$	\$	\$ 900
Senior and notes payable issued for payment of accrued interest and fees	\$	\$	\$ 626
Issuance of restricted common stock	\$ 314	\$ 838	\$

**Supplemental disclosures:**

Interest paid	\$ 33,315	\$ 27,780	\$ 40,085
Income taxes paid	\$ 3,646	\$ 4,169	\$ 4,537

*See notes to consolidated financial statements.*

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**SEABULK INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(in thousands)

	<b>Common Stock</b>		<b>Additional</b>
	<b>Shares</b>	<b>Amount</b>	<b>Paid-In</b>
			<b>Capital</b>
<b>Balance at December 31, 2001</b>	10,506	\$ 105	\$ 167,259
Comprehensive loss:			
Net loss			
Translation adjustment			
Total comprehensive loss			
Common stock issued upon Private Placement, net of issuance costs of \$9,160	12,500	125	90,715
Common stock issued upon exercise of warrants	112	1	
Common stock issued upon exercise of options	6		42
Amortization of unearned compensation			
<b>Balance at December 31, 2002</b>	23,124	\$ 231	\$ 258,016
Comprehensive loss:			
Net loss			
Translation adjustment			
Total comprehensive loss			
Issuance costs related to Private Placement			(27)
Common stock issued upon exercise of warrants	51		2
Common stock issued upon exercise of options	57	1	306
Restricted common stock issued to officers	115	1	837
Amortization of unearned compensation			
<b>Balance at December 31, 2003</b>	23,347	\$ 233	\$ 259,134
Comprehensive income:			
Net income:			
Foreign currency item			
Total comprehensive income:			
Common stock issued upon exercise of warrants	1		
Common stock issued upon exercise of options	67	1	395
Restricted common stock issued to officers	31		314
Amortization of unearned compensation			
Other comprehensive income			
<b>Balance at December 31, 2004</b>	23,446	\$ 234	\$ 259,843

*See notes to consolidated financial statements.*

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**SEABULK INTERNATIONAL, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
(in thousands)

	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation	(Accumulated Deficit)	Total
<b>Balance at December 31, 2001</b>	\$ (1)	\$ (198)	\$ (42,478)	\$ 124,687
Comprehensive loss:				
Net loss			(38,870)	(38,870)
Translation adjustment	1			1
Total comprehensive loss				(38,869)
Common Stock issued upon Private Placement, net of issuance costs of \$9,160				90,840
Common stock issued upon exercise of warrants				1
Common stock issued upon exercise of options				42
Amortization of unearned compensation		99		99
<b>Balance at December 31, 2002</b>	\$	\$ (99)	\$ (81,348)	\$ 176,800
Comprehensive loss:				
Net loss			(4,965)	(4,965)
Translation adjustment				
Total comprehensive loss				(4,965)
Issuance costs related to Private Placement				(27)
Common stock issued upon exercise of warrants				2
Common stock issued upon exercise of options				307
Restricted common stock issued to officers		(838)		
Amortization of unearned compensation		238		238
<b>Balance at December 31, 2003</b>	\$	\$ (699)	\$ (86,313)	\$ 172,355
Comprehensive income:				
Net income:			25,934	25,934
Foreign currency item	55			55
Total comprehensive income:				25,989
Common stock issued upon exercise of warrants				396
Common stock issued upon exercise of options				396
Restricted common stock issued to officers		(314)		
Amortization of unearned compensation		255		255
<b>Balance at December 31, 2004</b>	\$ 55	\$ (758)	\$ (60,379)	\$ 198,995

*See notes to consolidated financial statements.*

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**SEABULK INTERNATIONAL, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Organization and Basis of Presentation**

Seabulk International, Inc. and subsidiaries (collectively, the Company) provide marine support, tanker and towing services, serving primarily the energy and chemical industries. The Company operates offshore energy support vessels, principally in the U.S. Gulf of Mexico, the Arabian Gulf, offshore West Africa, Southeast Asia, and South America. The Company's fleet of tankers transports petroleum products, specialty chemicals and crude oil primarily in the U.S. domestic trade, with two foreign-flag product tankers in foreign trade. The Company also provides commercial tug services in several ports primarily in the southeastern U.S.

The Company derives substantial revenue from international operations, primarily under U.S. dollar-denominated contracts with major international oil companies. Risks associated with operating in international markets include vessel seizure, foreign exchange restrictions, foreign taxation, political instability, nationalization, civil disturbances, and other risks that may limit or disrupt markets.

The accompanying consolidated financial statements include the accounts of Seabulk International, Inc. and its subsidiaries, both majority and wholly-owned. All intercompany transactions and balances have been eliminated in the consolidated financial statements.

**2. Summary of Significant Accounting Policies**

*Restatement.* The Company recently reviewed its financial statement presentation and disclosure in response to comments received from the staff of the Securities and Exchange Commission (the SEC) in a normal periodic review of the Company's filings. As a result, the Company is restating the accompanying 2003 and 2002 consolidated statements of cash flows to classify expenditures for drydocking, \$31.5 million and \$23.4 million, respectively, as an operating activity rather than an investing activity.

*Revenue.* Revenue is generally recorded when services are rendered, the Company has a signed charter agreement or other evidence of an arrangement, pricing is fixed or determinable and collection is reasonably assured. For the majority of the offshore energy and towing segments, revenues are recorded on a daily basis as services are rendered. For the tankers segment, revenue is earned under time charters, bareboat charters, consecutive voyage charters or affreightment/voyage contracts. Revenue from time charters and bareboat charters is earned and recognized on a daily basis. Certain time charters contain performance provisions, which provide for decreased fees based upon actual performance against established targets such as speed and fuel consumption. Recorded revenue is based on actual performance. Affreightment/voyage contracts are contracts for cargoes that are committed on a 12 to 30 month basis, with minimum and maximum cargo tonnages specified over the period at fixed or escalating rates per ton. Revenue and voyage expenses for the affreightment contracts and consecutive voyage charters are recognized based upon the percentage of voyage completion. The percentage of voyage completion is based on the number of voyage days worked at the balance sheet date divided by the total number of days expected on the voyage.

*Cash and Cash Equivalents.* The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of money

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market instruments and overnight investments. The credit risk associated with cash and cash equivalents is considered low due to the high credit quality of the financial institutions.

*Restricted Cash.* At December 31, 2004 and 2003, restricted cash consisted of cash generated from the operations of our five U.S.-flag double-hull tankers (see Note 3) and fixed deposits required in our foreign locations that allow our banks to issue short-term tender bonds. The bonds are issued during the process of securing contracts and have expiration dates ranging from three months to one year. Upon expiration of the bonds, the funds are returned to the Company. The Company reclassified approximately \$27.0 million from cash and cash equivalents to restricted cash in the consolidated balance sheet as of December 31, 2003, related to the five U.S.-flag double-hull tankers, to conform to the 2004 presentation. Additionally, the Company has a certificate of deposit in the amount of \$2.2 million as of December 31, 2004 and 2003, which was required in the financing of a Brazilian vessel acquired in October 2004 (see Note 6). The certificate of deposit is classified as long-term restricted cash and is included in other assets in the accompanying consolidated balance sheets. The Company reclassified \$2.2 million related to the certificate of deposit from restricted cash to other assets in the consolidated balance sheet as of December 31, 2003 to conform to the 2004 presentation.

*Accounts Receivable.* Substantially all of the Company's accounts receivable are due from international oil companies and their subcontractors in the drilling industry. The Company performs ongoing credit evaluations of its trade customers and generally does not require collateral. Expected credit losses are provided for in the consolidated financial statements. Two customers each accounted for 7% of the Company's total revenue for the years ended December 31, 2004 and 2003. During the years ended December 31, 2004, 2003 and 2002, the Company wrote off accounts receivable of approximately \$0.4 million, \$2.4 million and \$0.6 million, respectively.

*Insurance Claims Receivable.* Insurance claims receivable represent costs incurred in connection with insurable incidents for which the Company expects it is probable it will be reimbursed by the insurance carriers, subject to applicable deductibles. Deductible amounts related to covered incidents are generally expensed in the period of occurrence of the incident. Expenses incurred for insurable incidents in excess of deductibles are recorded as receivables pending the completion of all repair work and the administrative claims process. The credit risk associated with insurance claims receivable is considered low due to the high credit quality and funded status of the insurance clubs in which the Company participates. Insurance claims receivable, included in other receivables in the accompanying consolidated balance sheets, approximated \$1.2 million and \$4.0 million at December 31, 2004 and 2003, respectively.

*Marine Operating Supplies.* Such amounts consist of fuel and supplies that are recorded at cost less a reserve for obsolescence and are charged to operating expenses as consumed.

*Impairment of Long-Lived Assets.* The Company accounts for the impairment of long-lived assets under the provisions of Statement of Financial Accounting Standards ( SFAS ) SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ( SFAS 144 ), which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the estimated undiscounted cash flows to be generated by those assets are less than the assets' carrying value. If the carrying value of the assets will not be recoverable, as determined by the estimated undiscounted cash flows, the carrying value of the assets is reduced to fair value. Generally, fair value will be determined using valuation techniques such as expected discounted cash flows or appraisals, as appropriate. The Company did not recognize an impairment loss in 2004 and 2002 related to assets held for use or sale. An impairment loss of \$1.2 million was recognized in 2003 related to assets held for sale.

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*Assets Held for Sale.* It is Company policy to make available for sale vessels and equipment considered by management as excess and no longer necessary for the operations of the Company. In accordance with SFAS 144, these assets are valued at the lower of carrying value or fair value less costs to sell. Also, depreciation expense for these assets is discontinued at the time of the reclassification. Total assets held for sale (primarily assets in the offshore energy segment) were approximately \$0.3 million and \$0.4 million at December 31, 2004 and 2003, respectively, and are included in other assets in the accompanying consolidated balance sheets.

*Vessels and Equipment.* Vessels and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. At the time property is disposed of, the assets and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recorded in operating income. Major renewals and betterments that extend the life of the vessels and equipment are capitalized. Interest incurred on debt related to newbuild vessels is capitalized. Maintenance and repairs are expensed as incurred except for drydocking expenditures.

Vessels under capital leases are amortized over the lesser of the lease term or their estimated useful lives. Included in vessels and equipment at December 31, 2004 and 2003 are vessels under capital leases of approximately \$48.1 million and \$55.4 million, net of accumulated amortization of approximately \$5.7 million and \$6.4 million, respectively.

Listed below are the estimated useful lives of vessels and equipment at December 31, 2004:

	Useful Lives (in years)
Supply boats	6-25
Crewboats	6-25
Anchor handling tug/supply vessels	5-25
Other	6-25
Tankers <sup>(1)</sup>	7-30
Tugboats	7-40
Furniture and equipment	5-10

<sup>(1)</sup> Range in years is determined by the Oil Pollution Act of 1990 and other factors.

*Deferred Costs.* Deferred costs primarily represent drydocking and financing costs. Substantially all of the Company's vessels must be periodically drydocked and pass inspections to maintain their operating classification, as mandated by maritime regulations. Costs incurred to drydock the vessels are deferred and amortized over the period to the next drydocking, generally 24 to 36 months. Drydocking costs are comprised of painting the vessel hull and sides, recoating cargo and fuel tanks, and performing other engine and equipment maintenance activities to bring the vessels into compliance with classification standards. Deferred financing costs are amortized over the term of the related borrowings using the effective interest method. At December 31, 2004 and 2003, deferred costs included unamortized drydocking costs of approximately \$32.4 million and \$35.2 million, respectively, and net deferred financing costs of \$12.7 million and \$13.2 million, respectively.

*Accrued Liabilities and Other.* Accrued liabilities included in current liabilities at December 31 consist of the following (in thousands):



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	<b>2004</b>	<b>2003</b>
Voyage operating expenses	\$ 8,135	\$ 7,756
Foreign taxes	9,661	8,541
Payroll and benefits	7,796	6,803
Deferred voyage revenue	1,499	1,990
Professional services	374	552
Litigation, claims and settlements	263	608
Insurance	4,012	6,101
Other	3,581	5,012
<b>Total</b>	<b>\$ 35,321</b>	<b>\$ 37,363</b>

*Stock-Based Compensation.* As permitted by SFAS No. 123, *Accounting for Stock-Based Compensation* ( SFAS 123 ), the Company has elected to follow Accounting Principles Board ( APB ) Opinion No. 25, *Accounting for Stock Issued to Employees* ( APB 25 ) and related interpretations in accounting for its employee stock-based transactions. Under APB 25, compensation expense is calculated at the time of option grant based upon the difference between the exercise price of the option and the fair market value of the Company's common stock at the date of grant recognized over the vesting period.

Had compensation expense for stock option grants been determined based on the fair value at the grant date for awards consistent with the methods of SFAS 123, the Company's net income (loss) would have decreased/(increased) to the pro forma amounts presented below for 2004, 2003 and 2002:

	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Net income (loss):			
As reported	\$ 25,934	\$ (4,965)	\$ (38,870)
Compensation expense	(1,437)	(1,106)	(1,147)
Pro forma	\$ 24,497	\$ (6,071)	\$ (40,017)
Net income (loss) per common share:			
As reported basic	\$ 1.11	\$ (0.21)	\$ (2.72)
As reported diluted	\$ 1.09	\$ (0.21)	\$ (2.72)
Pro forma basic	\$ 1.05	\$ (0.26)	\$ (2.80)
Pro forma diluted	\$ 1.03	\$ (0.26)	\$ (2.80)

*Income Taxes.* The Company files a consolidated tax return with substantially all corporate subsidiaries. In addition, subsidiaries doing business in foreign countries file separate income tax returns in foreign jurisdictions, where applicable. Each subsidiary organized as a partnership files a separate tax return. Deferred income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws in effect when the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.



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*Income Tax Contingencies.* Our future effective tax rate is based on estimates of expected income, statutory tax rates and tax planning strategies. Significant judgment is required in determining our effective tax rate and the ultimate resolution of our tax return positions. Despite our belief that our tax return positions are correct, our policy is to establish accruals for tax contingencies that may arise in future years as a result of examination by tax authorities. Our tax accruals are analyzed periodically and adjustments are made as events occur to warrant such adjustment.

*Net Income (Loss) Per Share.* Net income (loss) per common share is computed in accordance with SFAS No. 128, *Earnings Per Share* ( SFAS 128 ), which requires the reporting of both net income (loss) per common share and diluted net income (loss) per common share. The calculation of net income (loss) per common share is based on the weighted average number of common shares outstanding and therefore excludes any dilutive effect of stock options and warrants while diluted net income (loss) per common share includes the dilutive effect of all applicable stock options and warrants.

*Foreign Currency Translation.* In accordance with SFAS No. 52, *Foreign Currency Translation* ( SFAS 52 ), assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the rate of exchange at the balance sheet date, while revenue and expenses are translated at the weighted average rates prevailing during the respective years. Components of stockholders' equity are translated at historical rates. Substantially all of the Company's foreign subsidiaries use the U.S. dollar as their functional currency and substantially all external transactions are denominated in U.S. dollars. For 2002 translation adjustments were deferred in accumulated other comprehensive loss, which is a separate component of stockholders' equity. Transaction gains and losses resulting from changes in exchange rates for 2004, 2003 and 2002 were insignificant and are included in other, net in the accompanying consolidated statements of operations.

*Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the periods. Significant estimates have been made by management, including the allowance for doubtful accounts, useful lives and valuation of vessels and equipment, realizability of deferred tax assets and certain accrued liabilities. Actual results may differ from those estimates.

*Comprehensive Income (Loss).* SFAS No. 130, *Reporting Comprehensive Income* ( SFAS 130 ), establishes standards for the reporting and display of comprehensive income (loss), which is defined as the change in equity arising from non-owner sources. Comprehensive income (loss) is reflected in the consolidated statement of changes in stockholders' equity. In addition to net income (loss), total comprehensive income (loss) includes a gain on a foreign currency forward contract of approximately \$55,000 in 2004 (see Note 6) and a foreign currency translation adjustment of approximately \$1,000 in 2002.

*Reclassifications.* Certain previously reported amounts have been reclassified to conform to the 2004 presentation.

*Derivative Instruments.* The Company follows the provisions of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, ( SFAS 133 ) which establishes accounting and reporting standards for derivative instruments and hedging activities. The statement requires that derivative instruments be measured at fair value and recognized as either assets or liabilities on the balance sheet (see Note 14).

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*Fair Value of Financial Instruments.* The estimated fair values of financial instruments recognized in the accompanying consolidated balance sheets or disclosed within these notes to the consolidated financial statements have been determined using available market information, information from unrelated third party financial institutions and appropriate valuation methodologies, primarily discounted projected cash flows. However, considerable judgment is required when interpreting market information and other data to develop estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that could be realized in a current market exchange.

*Recent Pronouncements.* In December 2004, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 123R, a revised *Share-Based Payment* ( SFAS 123R ), a revision effective for the Company s third quarter of fiscal 2005. SFAS 123R requires companies to expense in their consolidated statement of operations the estimated fair value of employee stock options and similar awards. The Company currently uses the intrinsic value method to value stock options, and accordingly, no compensation expense has been recognized for stock options since the Company grants stock options with exercise prices equal to or greater than the Company s common stock market price on the date of the grant. The Company will adopt the provisions of SFAS 123R using a modified prospective application. Under the modified prospective application, Statement 123R will apply to new awards and to awards that are outstanding on the effective date and are subsequently modified or cancelled. Compensation expense for unvested stock-based awards will be recognized over the remaining vesting period. Depending on the model used to calculate stock-based compensation expense in the future, the implementation of certain other requirements of SFAS 123R and additional option grants expected to be made in the future, the pro forma disclosure discussed previously may not be indicative of the stock-based compensation expense that will be recognized in the Company s future consolidated financial statements. The Company is in the process of determining the impact adopting SFAS 123R will have on its consolidated financial position and consolidated results of operations.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets* ( SFAS 153 ), an amendment of APB Opinion No. 29, *Accounting for NonMonetary Transactions* ( APB 29 ). APB 29 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of assets exchanged, however certain exceptions apply. SFAS 153 amends APB 29 to eliminate the exception for nonmonetary exchanges of similar productive assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The Company s adoption of SFAS 153 is not expected to have a material impact on the Company s consolidated financial position and consolidated results of operations.

In June 2001, the Accounting Standards Executive Committee ( AcSEC ) of the American Institute of Certified Public Accountants ( AICPA ) issued an exposure draft of a proposed Statement of Position ( SOP ) entitled *Accounting for Certain Costs and Activities Related to Property, Plant and Equipment*. Under the proposed SOP, the Company would expense major maintenance costs as incurred and be prohibited from deferring cost of a planned maintenance activity. Currently, the costs incurred to drydock the Company s vessels are deferred and amortized on a straight-line basis over the period of the next drydocking, generally 24 to 36 months. At its April 14, 2004 meeting, the FASB voted not to clear the AcSEC s proposed SOP. In February 2005, the FASB asked its staff to further research the issue, specifically with regard to how the project s scope could be limited.

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Long-term debt at December 31 consists of the following (in thousands):

	<b>2004</b>	<b>2003</b>
Senior notes, including related interest rate swap	\$ 152,906	\$ 151,472
Amended credit facility	48,517	30,000
Title XI debt	208,969	216,117
Notes payable	85,132	23,137
	495,524	420,726
Less: current maturities	(16,653)	(11,037)
Long-term debt, including senior notes	\$ 478,871	\$ 409,689

On August 5, 2003, the Company completed the offering of \$150.0 million of Senior Notes (the 2003 Senior Notes) due 2013 through a private placement to institutional investors eligible for resale under Rule 144A and Regulation S. The net proceeds of the offering were used to repay a portion of the Company's indebtedness under a prior \$180.0 million credit facility. Interest on the 2003 Senior Notes is payable semi-annually in arrears. The 2003 Senior Notes are senior unsecured obligations guaranteed by certain of the Company's U.S. subsidiaries. The 2003 Senior Notes are subject to certain covenants, including, among other things, limiting the Parent's and certain U.S. subsidiaries' ability to incur additional indebtedness or issue preferred stock, pay dividends to stockholders, and make investments or sell assets under certain conditions. On October 31, 2003, the Company filed a registration statement with the SEC to register substantially identical senior notes to be exchanged for the 2003 Senior Notes pursuant to a registration rights agreement, so that the 2003 Senior Notes may be eligible for trading in the public markets. On November 13, 2003, the registration statement was declared effective and the Company completed the exchange offer on December 16, 2003. In October 2003, the Company entered into an interest rate swap agreement related to the 2003 Senior Notes (see Note 14). As of December 31, 2004 and 2003, the market value of the interest rate swap was approximately \$2.9 million and \$1.5 million, respectively, and is included in other assets in the accompanying consolidated balance sheets.

In connection with the 2003 Senior Notes offering, the Company amended and restated its \$180.0 million credit facility. The amended credit facility consists of a revolving credit facility with an original amount available of \$80.0 million and has a five-year maturity (the Amended Credit Facility). The Amended Credit Facility is subject to semi-annual reductions commencing February 5, 2004. The principal reductions on the Amended Credit Facility are as follows: \$4.0 million each February and August from 2004 through 2007, and \$48.0 million in 2008. As of December 31, 2004 and 2003 the outstanding borrowings on the Amended Credit Facility were \$70.9 million and \$33.9 million, respectively, including outstanding letters of credit of \$22.4 million and \$3.9 million, respectively. Available borrowings under the Amended Credit Facility were approximately \$1.1 million as of December 31, 2004. Interest on the Amended Credit Facility is payable monthly, with a variable interest rate. The rate is either LIBOR or a base rate plus a margin based upon certain financial ratios of the Company (6.21% at December 31, 2004). It is secured by first liens on certain of the Company's vessels (excluding vessels financed with Title XI financing and some of its other vessels), second liens on two vessels, and stock of certain subsidiaries and is guaranteed by certain subsidiaries (see Note 17). The Amended Credit Facility is subject to various financial covenants, including minimum ratios of adjusted EBITDA to adjusted interest expense and a minimum ratio of adjusted funded debt to adjusted EBITDA, minimum adjusted tangible net worth, and minimum fair market value of the Company's vessels.



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### **Early Extinguishment of Debt**

In connection with amending and restating its prior \$180.0 million credit facility in 2003, the Company wrote off approximately 45% of the unamortized financing costs of the prior credit facility. The total amount written off was approximately \$1.1 million. In connection with the 2003 Senior Notes offering, the Company paid \$11.2 million to retire the debt of certain towing vessels financed with Title XI financing. As a result of this early retirement, the Company wrote off \$400,000 of unamortized financing costs and paid an early retirement premium of \$226,000. The Company recorded a gain on extinguishment of debt of \$125,000 related to the refinancing of two offshore vessels in December 2003.

### **Title XI Financing Bonds**

The Company's five double-hull product and chemical tankers are financed through Title XI Government Guaranteed Ship Financing Bonds. There are a total of seven bonds with interest rates ranging from 6.50% to 7.54% that require principal amortization through June 2024. The aggregate outstanding principal balance of the bonds was \$206.0 million and \$211.0 million at December 31, 2004 and 2003, respectively. Principal payments during 2004, 2003 and 2002 were \$5.0 million, \$4.7 million and \$4.4 million, respectively, and interest payments were \$14.5 million, \$14.8 million and \$15.1 million, respectively.

Covenants under the Title XI Bond agreements contain financial tests which, if not met by the five double-hull tanker companies, among other things (1) restrict the withdrawal of capital; (2) restrict certain payments, including dividends, increases in employee compensation and payments of other indebtedness; (3) limit the incurrence of additional indebtedness; and (4) prohibit the five double-hull tanker companies from making certain investments or acquiring additional fixed assets. The five double-hull vessels have a net book value of \$208.7 million as of December 31, 2004. In the event of default, all of the vessels, in addition to the assignment of earnings on one vessel, serve as collateral on the United States Government guarantee of the Title XI Bonds.

The five double-hull vessel companies are required to make deposits to a Title XI reserve fund based on a percentage of net income attributable to the operations of the five double-hull tankers, as defined by the Title XI financial agreement. Cash held in a Title XI reserve fund is invested by the trustee of the fund, and any income earned thereon is either paid to the double-hull companies or retained in the reserve fund. Withdrawals from the Title XI reserve fund may be made for limited purposes, subject to prior approval from MARAD. In the second quarter of 2003, the first deposits to the reserve fund were made in the amount of \$3.8 million, and in the first quarter of 2004, the second deposits to the reserve fund were made in the amount of \$4.7 million. These deposits are included in other assets in the accompanying balance sheets. According to the Title XI financial agreement, the Company is restricted from distributing excess cash from the five double-hull tankers until certain working capital levels have been reached and maintained. Accordingly, at December 31, 2004 and 2003, the Company had approximately \$32.9 million and \$27.0 million in restricted cash, which is restricted for use for the operations of the five double-hull tankers and cannot be used to fund the Company's general working capital requirements. In 2004, the five double-hull tankers distributed approximately \$3.9 million to the Company for general working capital purposes. The Company expects to receive \$10.0 million during the first quarter of 2005 from the double-hull tankers for working capital purposes.

As of December 31, 2004 and 2003, other Title XI debt of approximately \$3.0 million and \$5.1 million, respectively, was collateralized by first preferred mortgages on two non-double-hull product tankers and bears interest at rates ranging from 5.9% to 10.1%. The debt is due in semi-annual principal and interest payments through December 2006. Under the terms of this other Title XI debt, the Company is required to maintain a minimum level of working capital, as defined, and comply with certain other financial covenants. During 2004, 2003 and 2002, \$2.2 million, \$13.7 million and \$2.8 million,





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respectively, in principal and \$0.4 million, \$1.4 million and \$1.7 million, respectively, in interest were paid on this debt. The debt on one of the vessels will be completely paid off in March 2005.

**Notes Payable**

The Company has one promissory note relating to the purchase of equity interests in the double-hull product tankers. The note bears interest at 8.5%. Quarterly principal and interest payments are due through January 2006. The promissory note is collateralized by securities of certain subsidiaries. The outstanding balance of the promissory note was \$2.6 million and \$4.7 million as of December 31, 2004 and 2003, respectively.

In March 2004, the Company obtained two notes payable in the amount of \$24.8 million each, the proceeds of which were used to purchase two four-year old, foreign-flagged, double-hulled product tankers. Each note payable is divided into two tranches. Tranche A, in the principal amount of \$21.7 million, bears interest at LIBOR, which is reset monthly, plus 1.75% (4.0% at December 31, 2004) and requires quarterly principal and interest payments through March 2011. Tranche B, in the principal amount of \$3.1 million, bears interest at LIBOR, which is reset monthly, plus 4.0% (6.2% at December 31, 2004) and requires quarterly principal and interest payments through March 2007. The notes payable are collateralized by first mortgages on the tankers. The notes payable contain certain restrictive financial covenants that, among other things, require minimum levels of EBITDA and tangible net worth, as defined in the notes payable agreements. As of December 31, 2004, the Company was in compliance with such covenants. The outstanding balance of the notes payable was approximately \$45.5 million as of December 31, 2004. During 2004, approximately \$4.1 million in principal and approximately \$1.3 million in interest were paid on the notes payable.

In July 2004, the Company entered into a loan agreement for the Singapore dollar equivalent of \$10.8 million with an unrelated financial services company to finance the construction of the *Seabulk Angola* (see Note 6). During the construction of the vessel the Company is required to make monthly interest payments based on the one month LIBOR rate plus 4.0% (6.6% as of December 31, 2004). At the time of vessel completion and acceptance, the construction loan will convert to a permanent loan whereby the Company will be required to make monthly interest and principal payments in 120 installments. The permanent loan bears interest at the one month LIBOR rate plus 3.68%. As of December 31, 2004, the outstanding balance under the loan agreement was approximately \$4.3 million.

In October 2004, the Company entered into a loan agreement for \$14.3 million with an unrelated financial services company to finance the construction of the *Seabulk Luanda* (see Note 6). During the construction of the vessel the Company is required to make monthly interest payments based on the one month LIBOR rate plus 4.0% (6.6% as of December 31, 2004). At the time of vessel completion and acceptance, the construction loan will convert to a permanent loan whereby the Company will be required to make monthly interest and principal payments in 120 installments. The permanent loan bears interest at the one month LIBOR rate plus 3.68%. As of December 31, 2004, the outstanding balance under the loan agreement was approximately \$3.0 million.

In July 2004, the Company entered into a loan agreement with Banco Nacional de Desenvolvimento Economico e Social ( BNDES ) of Brazil, a government-owned company, to finance the construction of the *Seabulk Brasil* and *Seabulk Angra* (see Note 6). The loan in the principal amount of \$29.9 million is divided into two Subcredits, A and B, in the amounts of \$15.0 million and \$14.9 million, respectively. Progress payments for Subcredits A and B are demandable at various dates monthly for sixteen year terms with final installments due May 2021 and August 2021, respectively. The loan bears interest at the rate of 4.0% per annum and as of December 31, 2004 the outstanding balance under the loan agreement was \$13.0 million.

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The Company has various promissory notes relating to the previous acquisition and construction of various vessels. The promissory notes are collateralized by mortgages on certain vessels and bear interest at rates ranging from 4.0% to 8.1%. The debt is due in monthly installments of principal and interest through December 2018. The outstanding balance of the notes was \$16.7 million and \$18.4 million as of December 31, 2004 and 2003, respectively.

The Company has letters of credit outstanding in the amount of approximately \$22.4 million and \$3.9 million as of December 31, 2004 and 2003, respectively, which expire on various dates through December 2025.

The aggregate annual future principal payments due on the long-term debt are as follows (in thousands):

Years ending December 31:	
2005	\$ 16,653
2006	15,578
2007	12,667
2008	68,204
2009	11,531
Thereafter	370,891
	\$ 495,524

**Table of Contents****4. Capital Leases**

The Company operates certain vessels and other equipment under leases that are classified as capital leases. The future minimum lease payments under capital leases, including obligations under sale-leaseback transactions, together with the present value of the net minimum lease payments are as follows (in thousands):

Years ending December 31:	
2005	\$ 5,948
2006	4,991
2007	4,991
2008	6,296
2009	6,063
Thereafter	18,966
Total minimum lease payments	47,255
Less: amount representing interest	(14,979)
Present value of minimum lease payments (including current portion of \$3,708)	\$ 32,276

**Table of Contents****5. Commitments and Contingencies****Lease Commitments**

The Company leases its office facilities and certain vessels under operating lease agreements, which expire at various dates through 2013. Certain leases include escalation clauses for adjusting rentals to reflect changes in price indices. Rent expense was approximately \$9.0 million, \$6.3 million and \$4.5 million for the years ended December 31, 2004, 2003 and 2002, respectively. The aggregate annual future payments due under non-cancelable operating leases with remaining terms in excess of one year are as follows (in thousands):

Years ending December 31:	
2005	\$ 9,103
2006	8,866
2007	7,521
2008	4,850
2009	1,365
Thereafter	745
	\$ 32,450

**Sublease**

The Company subleases certain office space in Tampa, Florida. The sublease in Tampa is expected to terminate in December 2006. There are no renewal or escalation clauses relating to the sublease.

The future minimum receipts under the sublease are as follows (in thousands):

Years ending December 31:	
2005	\$ 98
2006	98
	\$ 196

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**Contingencies**

Under United States law, United States persons are prohibited from business activities and contracts in certain countries, including Sudan and Iran. Relating to the prohibitions, the Company has filed three reports with and submitted documents to the Office of Foreign Asset Control ( OFAC ) of the U.S. Department of Treasury. One of the reports was also filed with the Bureau of Export Administration of the U.S. Department of Commerce. The reports and documents related to certain limited charters with third parties involving three of the Company's vessels which called in the Sudan for several months in 1999 and January 2000, and charters with third parties involving several of the Company's vessels which called in Iran in 1998. In March 2003, the Company received notification from OFAC that the case had been referred to its Civil Penalties Division. Should OFAC determine that these activities constituted violations of laws or regulations, civil penalties, including fines, could be assessed against the Company and/or certain individuals who knowingly participated in such activities. The Company cannot predict the extent of such penalties; however, management does not believe the outcome of these matters will have a material impact on the Company's consolidated balance sheets or consolidated results of operations.

The Company was sued by Maritime Transport Development Corporation ( MTDC ) in January 2002 in Florida state court in Broward County alleging broker commissions due since 1998 from charters on three of its vessels, the *Seabulk Magnachem*, *Seabulk Challenge* and *Seabulk Pride*, under an alleged broker commission agreement. MTDC was controlled by the founders of our predecessor company. The claim allegedly continues to accrue. The amount alleged to be due is over \$800,000, but is subject to offset claims and defenses by the Company. The Company is vigorously defending such charges, but the Company cannot predict the ultimate outcome.

As of February 20, 2004, the Company switched its mutual protection and indemnity ( P&I ) marine insurance policies from Steamship Mutual ( Steamship ) to West of England Association ( West of England ). Under the Company's P&I policies, the Company could be liable for additional premiums to cover any investment losses and reserve shortfalls experienced by its marine insurance clubs; however, additional premiums can only be assessed for open policy years. Steamship and West of England close a policy year three years after the policy year has ended. Completed policy years 2002 and 2003 are still open for Steamship, and policy year 2004 is open for West of England. There have been no additional premiums assessed for these policy years, and the Company believes it is unlikely that additional premiums for those policy years will be assessed. The Company will record a liability for any such additional premiums if and when they are assessed and the amount can be reasonably estimated.

In order to cover potential future additional insurance calls made by Steamship for 2002 and 2003, the Company was required to post a letter of credit in the amount of \$1.9 million to support such potential additional calls as a condition to its departure from Steamship. The letter of credit will be returned if no additional insurance calls are made. Potential claims liabilities are recorded as insurance expense reserves when they become probable and can be reasonably estimated.

P&I insurance premiums were approximately \$7.5 million, \$9.3 million and \$7.0 million for the years ended December 31, 2004, 2003 and 2002, respectively. The Company's hull and machinery insurance renewed in October 2004. The Company maintains high levels of self-insurance for P&I and hull and machinery risks through the use of substantial deductibles and self-insured retentions.

From time to time the Company is also party to personal injury and property damage claims litigation arising in the ordinary course of our business. Protection and indemnity marine liability insurance covers large claims in excess of the substantial deductibles and, for 2002 and 2003, substantial self-insured retentions.

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At December 31, 2004 and 2003, approximately 20% and 19%, respectively, of the Company's employees were members of national maritime labor unions or are subject to collective bargaining agreements. Management considers relations with employees to be satisfactory; however, the deterioration of these relations could have an adverse effect on the Company's operating results.

In March 2004, the Company received \$400,000 from the settlement of litigation over a previous joint venture partner and \$4.5 million from the settlement of litigation against two of its suppliers. The settlement against its suppliers represents reimbursement for certain direct expenses and economic losses that adversely affected operating results. The \$4.5 million in proceeds is recorded in other, net in the accompanying consolidated statement of operations.

**6. Vessels and Equipment**

Vessels and equipment are summarized below (in thousands):

	<b>December 31,</b>	
	<b>2004</b>	<b>2003</b>
Vessels and improvements	\$ 800,986	\$ 697,358
Furniture and equipment	10,065	9,848
	811,051	707,206
Less: accumulated depreciation and amortization	(212,258)	(180,180)
Vessels and equipment, net	\$ 598,793	\$ 527,026

During 2004, the Company sold 11 offshore energy support vessels, including one which had been held-for-sale, for an aggregate total of \$6.4 million and a gain of approximately \$4.1 million. The Company sold 18 offshore energy support vessels and three tugs during 2003 for an aggregate total of \$9.0 million and a gain of approximately \$1.5 million. During 2002, the Company sold 17 vessels for a total of \$6.8 million and a gain of approximately \$55,000.

During 2004, the Company incurred interest cost of \$34.9 million, of which approximately \$1.0 million was capitalized. During 2003, the Company incurred interest cost of \$33.9 million, of which approximately \$90,000 was capitalized.

**Vessel Acquisitions**

In January 2004, the Company entered into a contract with Labroy Shipbuilding and Engineering Pte. Ltd. of Singapore for the construction of a terminal support tug to be named *Seabulk Angola* for delivery in March 2005 for the Singapore dollar equivalent of U.S. \$10.8 million. The Company also entered into a forward exchange contract intended to fully hedge its foreign currency commitment (see Note 2). Under the forward contract, the Company will purchase Singapore dollars at various rates from February 2004 through March 2005 in conjunction with the progress payment dates as required by the construction agreement. In July 2004, the Company entered into a loan agreement to finance the construction of the vessel (see Note 3). The vessel will be employed on a long-term contract in Angola.

In March 2004, the Company completed the purchase of two four-year-old, foreign-flag, double-hull product tankers from World-Wide Shipping of Singapore for a total purchase price of approximately \$62.0 million. The purchase price was funded by a combination of bank borrowings and available cash



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(see Note 3). The tankers are modern double-hull vessels suitable for worldwide trading. The Company took delivery of the two vessels in March and April 2004. Both vessels have been placed in an international product tanker pool.

In May 2004, the Company entered into a contract with Labroy Shipbuilding and Engineering Pte. Ltd. for the construction of an anchor handling tug supply vessel to be named *Seabulk Luanda* for delivery in mid-2005. In October 2004, the Company entered into a loan agreement to finance the construction of the anchor handling tug supply vessel (see Note 3). The vessel will be employed on a long-term contract in Angola.

In May 2004, the Company entered into a contract with Jaya Shipbuilding and Engineering Pte. Ltd. of Singapore for the construction of a multi-purpose offshore supply vessel with a four-point mooring system. The vessel, named *Seabulk Advantage*, was delivered in December 2004. The vessel cost was \$8.6 million. The purchase price was paid with available cash.

In July 2004, the Company entered into a loan agreement with Banco Nacional de Desenvolvimento Economico e Social ( BNDES ) of Brazil, a government-owned company, to finance the construction of two offshore supply vessels (see Note 3). The vessels were constructed by Estaleiro Promar I Reparos Navais Ltda ( Promar ) and are on charter with Petrobras in Brazil. The Company took delivery of the *Seabulk Brasil* in October 2004 and the *Seabulk Angra* in January 2005.

In October 2004, the Company entered into a contract with Labroy Shipbuilding and Engineering Pte. Ltd. of Singapore for the construction of four anchor handling tug supply vessels with an option for four additional vessels. The four vessels are to be built at a combined cost of approximately \$43.7 million with delivery scheduled in 2006. The vessels are expected to work under long-term contracts in West Africa and Southeast Asia.

In October 2004, the Company entered into a contract with Centurion Marine Offshore, L.L.C. to exchange four of the Company's offshore vessels for one offshore energy support vessel. The transaction is a like-kind exchange of assets of equal value and is a tax-free transaction to the Company. The Company delivered the four vessels, at a combined market value of approximately \$4.4 million and simultaneously took delivery of the *Seabulk Carmen* in January 2005.

In December 2004, the Company purchased the minority interest in a partnership that owns the *Seabulk America*, a chemical product carrier. The Company owned a 67% equity interest and purchased the 33% interest owned by Stolt Tankers (U.S.A.), Inc. for \$2.4 million. The minority interest acquisition was accounted for under the purchase method of accounting and, accordingly, the excess of the purchase price over the minority interest acquired of \$1.5 million was allocated to vessels and equipment.

## **7. Joint Venture Agreements**

In March 2003, the Company formed a joint venture company in Nigeria, named Modant Seabulk Nigeria Limited, with CTC International, Inc., a company owned by Nigerian interests. The Company has a 40% interest in Modant Seabulk Nigeria Limited. The Company also sold five of its crewboats operating in Nigeria to joint venture vessel-owning companies related to CTC International in April 2003 for \$2 million. The Company invested \$400,000 of the sale proceeds and acquired a 20% interest in these joint venture vessel-owning companies. In July 2003, the five crewboats were reflagged into the Nigerian registry. The Company has not guaranteed any debt of the joint venture, nor is the Company required to provide additional funding. As of December 31, 2004 and 2003, the Company's investment in the joint venture was \$0.5 million and is included in other assets in the accompanying consolidated balance sheets.



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In September 2003, the Company entered into a joint venture agreement called Angobulk Sarl with Angola Drilling Company. The agreement has since been terminated by the parties.

**8. Stock Option and Equity Ownership Plans**

In December 1999, the Company adopted the Hvide Marine Incorporated Stock Option Plan (the 1999 Plan ), a stock option plan which provided certain key employees of the Company the right to acquire shares of common stock. Pursuant to the 1999 Plan, 500,000 shares of the Company s common stock were reserved for issuance to the participants in the form of nonqualified stock options. The options expire no later than 10 years from the date of the grant.

On June 15, 2000, the Company adopted the Amended and Restated Equity Ownership Plan (the Plan ). The Plan amends and restates in its entirety the 1999 Plan. Pursuant to the Plan, 800,000 shares of the Company s stock were reserved for issuance to participants in the form of nonqualified or incentive stock options, restricted stock grants and other stock related instruments, subject to adjustment to reflect stock dividends, recapitalizations, reorganizations and other changes in the capital structure. In December 2001, the Compensation Committee agreed to amend the Plan by authorizing and reserving for issuance an additional 500,000 shares to be eligible for grants under the Plan, bringing the total under the Plan to 1,300,000 shares. In February 2003, the Compensation Committee increased the number of shares eligible for grants to 2,300,000 shares. The Committee s action was approved by the shareholders at the Company s Annual Meeting of Shareholders held on May 16, 2003. The vesting period and certain other terms of stock options granted under the Plan are determined by the Compensation Committee. The Plan requires that the option price may not be less than 100% of the fair market value on the date of grant. The options expire no later than 10 years from the date of grant. There were 147,000 and 530,000 options granted under the Plan in 2004 and 2003, respectively, and no options were granted in 2002. In addition, there were 31,400 and 115,000 shares of restricted stock granted in 2004 and 2003, respectively. The Company amortizes the value of the restricted stock over the three-year vesting period. The Company recognized stock compensation expense of approximately \$255,000, \$238,000 and \$99,000 in 2004, 2003 and 2002, respectively, related to restricted stock.

On June 15, 2000, the Company also adopted the Stock Option Plan for Directors (the Directors Plan ). Pursuant to the Directors Plan, as of December 31, 2004, an aggregate of 360,000 shares of common stock are authorized and reserved for issuance, subject to adjustments to reflect stock dividends, reorganizations, and other changes in the capital structure of the Company. Under the Stock Option Plan for Directors, each director not employed by the Company is granted annual stock options exercisable for 4,000 shares. The Chairman of the Board of Directors, if not an employee of the Company, is entitled to receive annual stock options for 8,000 shares. In 2002 each of the continuing outside directors was granted options to purchase 4,000 shares, and each of the four previous directors who resigned upon the Company s equity transaction in September 2002 were also granted options to purchase 4,000 shares, with the exception of the former chairman, who was granted 8,000 shares. In his initial year, a director is granted options to purchase 10,000 shares. The six new directors were eligible for initial grants of options to purchase 10,000 shares on the Annual Meeting date in 2004 and the continuing directors, with the exception of Mr. Kurz, were eligible for grants of options to purchase 4,000 shares. Under the Directors Plan, the option price for each option granted is required to be 100% of the fair market value of common stock on the day of grant. Options granted under the Directors Plan totaled 36,000, 72,000 and 32,000 during 2004, 2003 and 2002, respectively.

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The following table of data is presented in connection with the stock option plans:

	Year Ended December 31,					
	2004		2003		2002	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding at beginning of period	1,203,000	\$ 7.35	774,502	\$ 6.84	822,000	\$ 6.91
Granted	183,000	9.78	602,000	7.85	32,000	6.19
Exercised	(66,170)	5.98	(57,169)	5.37	(6,667)	6.31
Cancelled	(40,332)	9.10	(116,333)	7.49	(72,831)	7.48
Options outstanding at end of period	1,279,498	7.71	1,203,000	7.35	774,502	6.84
Options exercisable at end of period	733,086	7.16	571,513	7.00	562,856	7.30
Options available for future grants at end of period	1,029,096		1,203,164		618,831	

Summarized information about stock options outstanding as of December 31, 2004 is as follows:

Exercise Price Range	Number of Options Outstanding	Remaining Life (In Years)	Weighted Average Exercise Price	Number of Options Exercisable	Weighted Average Exercise Price
Under \$6.25	97,832	7.03	\$ 4.50	97,832	\$ 4.50
\$6.25 to \$7.29	446,333	6.42	6.60	341,671	6.40
\$7.30 to \$8.00	422,333	7.81	7.92	163,583	7.80
\$8.01 to \$10.00	255,000	8.98	9.45	72,000	8.61
Over \$10.00	58,000	1.96	12.47	58,000	12.47

The weighted average fair value of options granted under the Company's stock option plans during 2004, 2003 and 2002 was \$7.85, \$5.58, and \$4.91 respectively.

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The fair value of each option is estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions applied to grants in 2004, 2003 and 2002:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
Dividend yield	0.0%	0.0%	0.0%
Expected volatility factor	0.73	0.58	0.72
Approximate risk-free interest rate	4.32%	4.27%	4.25%
Expected life (in years)	10	10	10

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models, in management's opinion, do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Effective October 14, 2004, the Company amended the stock option agreements for all of the vested and unvested awards, whereby the option exercise period was extended from 12 months to 36 months in the event of termination within two years of a change in control, as defined in the plan. In accordance with FASB Interpretation No. 44 *Accounting for Certain Transactions Involving Stock Compensation*, the amendment to the agreements is considered a modification of the award and accordingly the intrinsic value of the option award shall be measured at the date of the modification and any intrinsic value in excess of the amount measured at the original measurement date shall be recognized as compensation cost if the separation event occurs. As of December 31, 2004 the intrinsic value in excess of the amount measured at the original measurement date was \$4.1 million and, if a separation event occurred within two years of a change in control, would be recognized as compensation expense in the accompanying consolidated statement of operations.

**9. Employee Benefit Plans**

The Company sponsors a retirement plan and trust (the Plan) established pursuant to Section 401(k) of the Internal Revenue Code, which covers substantially all administrative and non-union employees. Subject to certain dollar limitations, employees may contribute a percentage of their salaries to this Plan, and the Company will match a portion of the employees' contributions. Profit sharing contributions by the Company to the Plan are discretionary. Additionally, the Company contributes to various union-sponsored, collectively bargained pension plans for certain crew members in the tankers and towing segments. The plans are not administered by the Company, and contributions are determined in accordance with provisions of negotiated labor contracts. The expense resulting from Company contributions to the Plan and various union-sponsored plans amounted to approximately \$4.0 million, \$3.7 million and \$3.5 million for the years ended December 31, 2004, 2003 and 2002, respectively.

In February 2003, the Company established an Executive Deferred Compensation Plan for highly compensated employees. Under the Plan, such employees may elect to defer up to 50% of their salary and 100% of bonuses and grants of restricted Company stock for periods of at least five years or until retirement. Income tax on deferred amounts is payable when distributed to the employee after such deferral periods. The Company is permitted to make contributions to the Plan. Salary, bonus and restricted stock deferred under the Plan are funded by the Company into a trust for the benefit of the eligible employees, which together with an outside consultant/administrator, administers the Plan.

**Table of Contents****10. Income Taxes**

The United States and foreign components of income (loss) before provision for income taxes are as follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
United States	\$ 12,497	\$ (3,959)	\$ (35,578)
Foreign	18,471	3,232	1,350
Total	\$ 30,968	\$ (727)	\$ (34,228)

Foreign income taxes are levied on gross receipts. The components of the provision for income tax expense (benefit) are as follows (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Current:			
Federal	\$	\$	\$ (1,520)
Foreign	5,034	4,238	6,162
Total current	5,034	4,238	4,642
Deferred			
Total income tax expense	\$ 5,034	\$ 4,238	\$ 4,642

A reconciliation of U.S. Federal income tax attributable to continuing operations computed at the U.S. federal statutory tax rates to income tax expense (benefit) is:

	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Income tax expense (benefit) computed at the			
Federal statutory rate	35%	(35)%	(35)%
State income taxes, net of federal benefit	1	(1)	(1)
Change in valuation allowance	(37)	35	31
Permanent, non deductible items	1	1	1
	0%	0%	(4)%

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The tax effect of temporary differences that give rise to deferred tax assets and liabilities are as follows (in thousands):

	<b>As of December 31,</b>	
	<b>2004</b>	<b>2003</b>
Deferred income tax assets:		
Allowance for doubtful accounts	\$ 2,019	\$ 919
Goodwill	11,853	13,321
Accrued compensation	929	698
Foreign tax credit carryforwards	28,987	21,967
Accrued supplemental insurance premiums	71	71
Net operating loss carryforwards	145,350	147,300
Other	543	1,662
Total deferred income tax assets	189,752	185,938
Less: valuation allowance	(62,374)	(78,311)
Net deferred income tax assets	127,378	107,627
Deferred income tax liabilities:		
Property differences	114,280	94,060
Deferred drydocking costs	11,574	12,364
Other	1,524	1,203
Total deferred income tax liabilities	127,378	107,627
Net deferred income tax assets	\$	\$

SFAS No. 109, *Accounting for Income Taxes* ( SFAS 109 ) requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, management determined that a valuation allowance of approximately \$62.4 million and \$78.3 million was necessary at December 31, 2004, and 2003, respectively, to reduce the deferred tax assets to the amount that will more likely than not be realized. After application of the valuation allowance, the Company's net deferred tax assets and liabilities were zero at December 31, 2004 and 2003. The net change in the total valuation allowance was a decrease of approximately \$15.9 million in 2004 and an increase of approximately \$3.1 million and \$9.9 million in 2003 and 2002, respectively.

In 2002, the Job Creation and Worker Assistance Act of 2002 was signed into law, which allowed a 2001 federal net operating loss to be carried back five years instead of two years. This new law allowed the Company to carry back its 2001 federal net operating loss into the five-year carryback period. The Company received a refund of approximately \$2.0 million related to the net operating loss carryback in 2004.

The Company has a basis for tax purposes in excess of its basis for financial reporting purposes that will generate additional income tax deductions in future periods. As of December 31, 2004, the Company had net operating loss carryforwards of approximately \$406.6 million, which are available to offset future federal taxable income through the year 2023. The Company also has foreign tax credit carryforwards, due to expire in years 2005 through 2008, of approximately \$29.0 million, which are available to reduce future federal income tax liability.



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Section 382 of the Internal Revenue Code outlines restrictions on the utilization of net operating losses. When a change of ownership occurs, as broadly defined by Section 382, the Company is subject to an annual limitation on the usage of its net operating loss carryforwards that existed before that date. In September 2002, the issuance of stock resulted in a change of ownership under Section 382. The Company believes these annual limitations are significantly large enough as to not restrict its ability to utilize the majority of its net operating loss carryforwards against future earnings to reduce its future federal income tax liability.

The Company estimates its income tax expense and liabilities annually. These liabilities generally are not finalized with the individual taxing authorities until several years after the end of the annual period for which income taxes have been estimated. Settlement of open tax years, as well as tax issues in other countries where the Company conducts its businesses, is not expected to have a material effect on the consolidated financial position or liquidity of the Company, and in the opinion of management, adequate provision has been made for income and franchise taxes for all years under examination or subject to future examination.

### **11. Stockholders Equity**

Pursuant to the articles of incorporation of the Company, as amended in 2002, there are 40 million shares of common stock authorized for issuance.

In December 1999, as part of the Company's reorganization under Chapter 11 bankruptcy, the holders of the Predecessor Company's Senior Notes received 9.8 million shares of Company common stock. The holders of Senior Notes received 536,193 common stock purchase warrants (the Noteholder Warrants). The warrants have a seven and one-half year term and an exercise price of \$0.01 per warrant. Also in connection with the former Senior Notes, the Company issued an additional 187,668 Noteholder Warrants to an investment advisor. The warrants have a seven and one-half year term and an exercise price of \$0.01 per warrant. During the years ended December 31, 2004 and 2003, approximately 1,000 and 51,000 Noteholder Warrants were exercised. The amount of outstanding Noteholder Warrants amounted to approximately 158,000 at December 31, 2004 and 159,000 at December 31, 2003. The weighted average contractual life is 2.5 years at December 31, 2004.

All of the Company's outstanding warrants contain customary anti-dilution provisions for issuances of common stock, splits, combinations and certain other events, as defined. In addition, the outstanding warrants have certain registration rights, as defined.

The Company is authorized to issue 5 million shares of preferred stock, no par value per share. The Company has no present plans to issue such shares.

At December 31, 2004, approximately 1,279,000 shares of Common Stock were outstanding and reserved for issuance under the Company's Amended and Restated Equity Ownership Plan and the Stock Option Plan for Directors.

On September 13, 2002, the Company completed the private placement of 12.5 million shares of newly issued Seabulk Common Stock at a cash price of \$8.00 per share (the Private Placement) to a group of investors including an entity associated with DLJ Merchant Banking Partners III, L.P., an affiliate of CSFB Private Equity, and entities associated with Carlyle/Riverstone Global Energy and Power Fund I, L.P., an affiliate of The Carlyle Group of Washington, D.C. The stock issuance was

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approved by the Company's Shareholders at a Special Meeting held on September 5, 2002.

The new investors also purchased, for \$8.00 per share, 5.1 million of the Company's Common Stock and Common Stock purchase warrants beneficially owned by accounts managed by Loomis, Sayles & Co., L.P., an SEC-registered investment advisor. Taken together, the two transactions gave the new investors approximately 76% of the Company's outstanding common stock. Pursuant to the agreement with the investors, the Company's Board of Directors was restructured to permit the new investors to hold a majority of seats on the Board and to give minority shareholders certain minority rights.

**12. Net Income (Loss) Per Share**

The following table sets forth the computation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Numerator:			
Numerator for basic and diluted income (loss) per share			net income
(loss) available to common shareholders	\$ 25,934	\$ (4,965)	\$ (38,870)
Denominator:			
Denominator weighted average income (loss) per share			basic
	23,264	23,176	14,277
Denominator weighted average income (loss) per share			diluted
	23,761	23,176	14,277
Net income (loss) per common share			basic
	\$ 1.11	\$ (0.21)	\$ (2.72)
Net income (loss) per common share			diluted
	\$ 1.09	\$ (0.21)	\$ (2.72)

The weighted average diluted common shares outstanding for fiscal 2004 includes approximately 283,000 stock options, 158,000 warrants and 56,000 shares of restricted stock. The weighted average diluted common shares outstanding for fiscal 2003 and 2002 excludes 1,203,000 and 774,502 stock options, respectively, and 409,000 and 406,000 warrants in 2003 and 2002, respectively. The common stock equivalents in 2003 and 2002 are excluded as they are anti-dilutive due to the Company's net losses for 2003 and 2002.

**13. Segment and Geographic Data**

The Company organizes its business principally into three segments. The accounting policies of the reportable segments are the same as those for the consolidated financial statements (Note 2). The Company does not have significant intersegment transactions.

These segments and their respective operations are as follows:

*Offshore Energy Support* (Seabulk Offshore) Offshore energy support includes vessels operating in U.S. and foreign locations used primarily to transport materials, supplies, equipment and personnel to drilling rigs and to support the



construction, positioning and ongoing operations of oil and gas production platforms.

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*Marine Transportation Services* (Seabulk Tankers) Tankers include 10 U.S.-flag product tankers and two foreign-flag product tankers. The U.S.-flag oceangoing vessels are used to transport petroleum, chemicals, and crude products, primarily from chemical manufacturing plants, refineries and storage facilities along the U.S. Gulf coast to industrial users and distribution facilities in and around the Gulf of Mexico, Atlantic and Pacific coast ports. Certain of the vessels also transport crude oil within Alaska and among Alaska, the Pacific coast and Hawaiian ports. One U.S.-flag vessel and the two foreign-flag vessels operate in the foreign trade.

*Towing* (Seabulk Towing) Harbor and offshore towing services are provided by tugs to vessels utilizing the ports in which the tugs operate, and to vessels at sea to the extent required by offshore commercial contract opportunities and by environmental regulations, casualty or other emergencies.

The Company evaluates performance by operating segment. Within the offshore energy support segment, the Company conducts additional performance evaluation of vessels marketed in U.S. and foreign locations. Resources are allocated based on segment profit or loss from operations, before interest and taxes.

Revenue by segment and geographic area consists only of services provided to external customers, as reported in the consolidated Statements of Operations. Income from operations by geographic area represents net revenue less applicable costs and expenses related to that revenue. Unallocated expenses are primarily comprised of general and administrative expenses of a corporate nature. Unallocated expenses are primarily comprised of general and administrative expenses of corporate nature. Identifiable assets represent those assets used in the operations of each segment or geographic area, and unallocated assets generally include corporate assets.

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The following schedule presents segment information about the Company's operations (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Revenue</b>			
Offshore energy support	\$ 164,360	\$ 160,716	\$ 171,479
Tankers	147,828	119,002	121,371
Towing	40,582	37,257	31,475
Eliminations <sup>(1)</sup>	(442)	(417)	(328)
<b>Total</b>	<b>\$ 352,328</b>	<b>\$ 316,558</b>	<b>\$ 323,997</b>
<b>Vessel and voyage expenses</b>			
Offshore energy support	\$ 96,791	\$ 100,001	\$ 99,572
Tankers	72,765	59,371	64,151
Towing	23,330	20,721	18,909
General corporate			254
Eliminations <sup>(1)</sup>	(442)	(417)	(328)
<b>Total</b>	<b>\$ 192,444</b>	<b>\$ 179,676</b>	<b>\$ 182,558</b>
<b>Depreciation, amortization, drydocking and write-down of assets held for sale</b>			
Offshore energy support	\$ 37,674	\$ 41,701	\$ 43,305
Tankers	24,416	19,455	18,159
Towing	3,766	3,793	3,222
General corporate	276	1,643	1,690
<b>Total</b>	<b>\$ 66,132</b>	<b>\$ 66,592</b>	<b>\$ 66,376</b>
<b>Income from operations</b>			
Offshore energy support	\$ 15,789	\$ 990	\$ 10,209
Tankers	46,957	36,267	35,669
Towing	8,667	7,678	4,847
General corporate	(11,071)	(11,225)	(12,955)
<b>Total</b>	<b>\$ 60,342</b>	<b>\$ 33,710</b>	<b>\$ 37,770</b>
<b>Net income (loss)</b>			
Offshore energy support	\$ (1,710)	\$ (16,097)	\$ (16,912)
Tankers	28,123	19,354	17,346
Towing	5,533	4,511	(151)
General corporate	(6,012) <sup>(3)</sup>	(12,733) <sup>(2)</sup>	(39,153) <sup>(2)</sup>

<b>Total</b>	\$ 25,934	\$ (4,965)	\$ (38,870)
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(1) Elimination of intersegment towing revenue and intersegment tankers operating expenses of \$0.4 million, \$0.4 million and \$0.3 million for the years ended December 31, 2004, 2003 and 2002, respectively.

(2) Includes loss on early extinguishment of debt of \$1.7 million and \$27.8 million in 2003 and 2002, respectively (see Note 3).

(3) Includes proceeds from the settlement of litigation, in which the Company received a total of \$4.5 million from two of its suppliers in 2004 (see Note 5).

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	<b>Consolidated Balance Sheet Information as of December 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Identifiable assets</b>		
Offshore energy support	\$ 298,259	\$ 288,760
Tankers	393,409	327,911
Towing	59,082	60,594
Unallocated	36,038	17,175
<b>Total</b>	<b>\$ 786,788</b>	<b>\$ 694,440</b>
 <b>Vessels and equipment</b>		
Offshore energy support	\$ 305,441	\$ 287,972
Tankers	405,409	341,572
Towing	61,106	60,924
<b>Total</b>	<b>771,956</b>	<b>690,468</b>
Construction in progress	30,140	7,856
General corporate	8,955	8,882
Gross vessels and equipment	811,051	707,206
Less accumulated depreciation	(212,258)	(180,180)
<b>Total</b>	<b>\$ 598,793</b>	<b>\$ 527,026</b>
 <b>Capital expenditures and drydocking</b>		
	<b>Year Ended December 31,</b>	
	<b>2004</b>	<b>2003</b>
Offshore energy support	\$ 64,241	\$ 47,720
Tankers	69,622	11,283
Towing	1,675	3,179
Unallocated	133	40
<b>Total</b>	<b>\$ 135,671</b>	<b>\$ 62,222</b>

The Company is engaged in providing marine support and transportation services in the United States and foreign locations. The Company's foreign operations are conducted on a worldwide basis, primarily in West Africa, the Arabian Gulf, Southeast Asia, Mexico, and South America with assets that are highly mobile. These operations are subject to risks inherent in operating in such locations.

The foreign-flag offshore vessels and the two foreign-flag tankers move regularly and routinely from one country to another, sometimes in different continents depending on the charter party. Because of this asset mobility, revenue and long-lived assets attributable to the Company's foreign operations in any one country are not material, as defined in SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information* ( SFAS 131 ).

There were no individual customers from whom the Company derived more than 10% of its total revenue for the years ended December 31, 2004, 2003, and 2002.

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The following table presents selected financial information pertaining to the Company's geographic operations for 2004, 2003 and 2002 (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Revenue</b>			
Domestic	\$ 225,503	\$ 197,612	\$ 200,008
Foreign			
West Africa	85,498	79,680	84,576
Middle East	26,255	24,650	23,683
Southeast Asia	15,072	14,616	15,730
<b>Consolidated revenue</b>	<b>\$ 352,328</b>	<b>\$ 316,558</b>	<b>\$ 323,997</b>

	<b>Consolidated Balance Sheet</b>	
	<b>Information</b>	
	<b>as of December 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Identifiable assets</b>		
Domestic	\$ 600,175	\$ 516,773
Foreign		
West Africa	117,303	123,918
Middle East	27,064	28,164
Southeast Asia	6,208	8,410
Other	36,038	17,175
<b>Total</b>	<b>\$ 786,788</b>	<b>\$ 694,440</b>
<b>Vessels and equipment</b>		
Domestic	\$ 648,214	\$ 544,370
Foreign		
West Africa	121,022	120,049
Middle East	17,770	16,637
Southeast Asia	15,090	17,268
	802,096	698,324
General corporate	8,955	8,882
	811,051	707,206
Less: accumulated depreciation	(212,258)	(180,180)
<b>Total</b>	<b>\$ 598,793</b>	<b>\$ 527,026</b>

**Table of Contents****14. Fair Value of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of financial instruments included in the following categories:

*Cash, Cash Equivalents, Restricted Cash, Accounts Receivable, Accounts Payable and Accrued Liabilities.* The carrying amounts reported in the balance sheet approximate fair value due to the short-term nature of such instruments.

*Amended Credit Facility and Title XI.* The amended credit facility and Title XI obligations provide for interest and principal payments at various rates and dates as discussed in Note 3. The Company estimates the fair value of such obligations using a discounted cash flow analysis at estimated market rates.

*Interest Rate Swap and Related 2003 Senior Notes.* In October 2003, the Company entered into a ten-year interest rate swap agreement with its Amended Credit Facility lender and other members of its lending group. The Company entered into the swap transaction at-market, and as a result there was no exchange of a premium at the initial date of the transaction. Through this derivative instrument, which covers a notional amount of \$150.0 million, the Company effectively converted the interest rate on its outstanding 2003 Senior Notes due August 2013 to a floating rate based on LIBOR. The Company designated the interest rate swap as a fair-value hedge of fixed-rate interest-bearing debt, and is accounting for the change in fair value of the interest rate swap in accordance with the shortcut method outlined in SFAS 133, whereby the carrying amount of the 2003 Senior Notes are adjusted by the same amount as the change in fair value of the interest rate swap (see Note 3). As of December 31, 2004, the effective floating interest rate was 6.79% and increased to 7.88% effective February 15, 2005. The floating rate is adjusted semi-annually in February and August of each year. The swap agreement is secured by a second lien on the assets that secure the Company's amended and restated credit facility.

*Notes Payable and Capital Lease Obligations.* The carrying amounts reported in the balance sheet approximate fair value as the interest rates either adjust based on LIBOR, or in the case of fixed rate borrowings, are consistent with the Company's current borrowing rate.

The following table presents the carrying value and fair value of the financial instruments at December 31 (in millions):

Issue	As of December 31,			
	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Amended credit facility	\$ 48.5	\$ 48.5	\$ 30.0	\$ 30.0
Title XI	\$ 209.0	\$ 223.4	\$ 216.1	\$ 227.2
Interest Rate Swap	\$ 2.9	\$ 2.9	\$ 1.5	\$ 1.5

**15. Liquidity**

At December 31, 2004, the Company had cash and cash equivalents on hand of \$18.9 million and working capital of approximately \$49.6 million which includes \$35.7 million in restricted cash (see Note 2). The Company's main sources of liquidity are from operations, borrowings under our Amended Credit Facility, and proceeds from the sale of vessels with marginal operating performance. In 2004, cash from operations totaled \$59.1 million, which was \$20.8 million greater than 2003. At December 31, 2004, availability under our Amended Credit Facility was



approximately \$1.1 million (see Note 3). Additionally, the Company received \$6.4 million from the sale of vessels during 2004 (see Note 6). The

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Company believes cash from operations will continue to be a meaningful source of liquidity. Furthermore the Company relies on external financing to fund a substantial portion of the purchase price of new vessels to its fleet. The Company believes it will obtain commitments from various lenders to fund at least 80% of the cost of vessels it has contracted to purchase.

The Company's capital requirements arise primarily from its need to service debt, fund working capital, maintain and improve its vessels, and make vessel acquisitions. The Company expects that cash flow from operations will continue to be a significant source of funds for its working capital and capital requirements.

During 2004, the Company incurred \$135.7 million in capital improvements for drydocking costs and fleet additions. Approximately \$22.9 million was for drydockings and approximately \$112.7 million was for fleet additions including newbuild vessels and vessel acquisitions. The Company incurred approximately \$12.9 million for the construction of the *Seabulk Angola* and the *Seabulk Luanda*, approximately \$27.6 million for the construction of the *Seabulk Brasil* and the *Seabulk Angra*, approximately \$9.4 million for the construction of the *Seabulk Advantage*, and approximately \$62.0 million for the purchase of the *Seabulk Reliant* and the *Seabulk Trust*, the two new international tankers added to our fleet in March and April 2004. The vessels were funded by a combination of borrowings and available cash.

The Company's expected 2005 capital requirements for drydocking costs is \$30.7 million. The Company's expected 2005 capital requirements for newbuild vessels and fleet improvements is \$20.3 million, which includes \$6.6 million for four anchor handling tug supply vessels the Company agreed to construct for approximately \$43.7 million (see Note 6).

The Company's Amended Credit Facility contains certain restrictive financial covenants that, among other things, require minimum levels of EBITDA, as defined in the credit agreement, and tangible net worth. A covenant was amended as of February 26, 2004 to allow the Company a greater degree of flexibility under the debt/EBITDA ratio. The Company is in compliance with all such covenants at December 31, 2004.

**Table of Contents****16. Selected Quarterly Financial Information (unaudited)**

The following information is presented as supplementary financial information for 2004 and 2003 (in thousands, except per share information):

<b>Year Ended December 31, 2004</b>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
Revenue	\$ 82,534	\$ 87,203	\$ 89,361	\$ 93,230
Income from operations	10,400	12,548	16,791	20,603
Net income <sup>(a)</sup>	5,650	2,721	6,813	10,750
Net income per common share - basic and diluted <sup>(b)</sup> :				
Net income basic	\$ 0.24	\$ 0.12	\$ 0.29	\$ 0.46
Net income diluted	\$ 0.24	\$ 0.12	\$ 0.29	\$ 0.45
<b>Year Ended December 31, 2003</b>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
Revenue	\$ 77,229	\$ 79,924	\$ 79,670	\$ 79,735
Income from operations <sup>(c)</sup>	10,830	12,378	9,477	1,025
Net income (loss) <sup>(d)</sup>	1,586	2,660	(1,876)	(7,335)
Net income (loss) per common share basic and diluted <sup>(b)</sup>				
Net income (loss) basic	\$ 0.07	\$ 0.11	\$ (0.08)	\$ (0.32)
Net income (loss) diluted	\$ 0.07	\$ 0.11	\$ (0.08)	\$ (0.32)

(a) Includes \$4.5 million in proceeds from the settlement of litigation in the first quarter of 2004 (see Note 5).

(b) The sum of the four quarters income (loss) per share may not equal the annual earnings per share, as the quarterly computations are independent of the annual computation.

(c) Includes write-down of assets held for sale of \$1.2 million, an increase in repairs and maintenance of \$1.8 million related to drydockings and the write-off of bad debts of approximately \$1.9 million in the fourth quarter of 2003.

(d) Includes loss on early extinguishment of debt of \$1.7 million in the third quarter of 2003 (see Note 3).

**17. Supplemental Condensed Consolidated Financial Information**

The Restricted Subsidiaries as to which financial information is included in the table below are subsidiaries of the Company that are subject to the terms and conditions of the Indenture governing the Senior Notes. Only certain of the Restricted Subsidiaries (representing the domestic restricted subsidiaries and referred to in the Indenture as the

Guarantor Subsidiaries), jointly and severally guarantee the Notes on a senior unsecured basis. The Non-guarantor Unrestricted Subsidiaries as to which financial information is included in the table below are the subsidiary entities that own the five U.S.-flag double hull tankers which are financed by the Title XI debt with recourse to the tankers and the subsidiaries that own them. These entities are designated as Non-Recourse or Unrestricted subsidiaries under the Indenture and do not guarantee the Notes.

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Supplemental financial information for the Company and its guarantor restricted subsidiaries, non-guarantor restricted subsidiaries and non-guarantor unrestricted subsidiaries for the notes is presented below.

**Condensed Consolidating Balance Sheet**  
(in thousands)

As of December 31, 2004

	Parent	Wholly Owned Guarantor Restricted Subsidiaries	Non-Wholly Owned Guarantor Restricted Subsidiaries	Non- Guarantor Restricted Subsidiaries	Non- Guarantor Unrestricted Subsidiaries	Eliminations	Consolidated Total
<b>Assets</b>							
<b>Current assets:</b>							
Cash and cash equivalents	\$ 8,265	\$ 4,983		\$ 5,701			\$ 18,949
Restricted cash				2,756	32,925		35,681
Trade accounts receivable, net	35	17,797		32,207	5,170		55,209
Other receivables	1,003	2,430		204	147		3,784
Marine operating supplies	79	2,503		2,700	2,586		7,868
Due from affiliates		66,330		119,375	3,372	(189,077)	
Prepaid expenses and other	2,005	285		1,239	98		3,627
<b>Total current assets</b>	<b>11,387</b>	<b>94,328</b>		<b>164,182</b>	<b>44,298</b>	<b>(189,077)</b>	<b>125,118</b>
<b>Vessels and equipment, net</b>							
	46,072	216,200		127,848	208,673		598,793
Deferred costs, net	14,546	6,625		15,438	8,444		45,053
Investments in affiliates	525,588	14,644		364	82,611	(623,207)	
Other	7,231	813		1,177	8,603		17,824
<b>Total assets</b>	<b>\$ 604,824</b>	<b>\$ 332,610</b>		<b>\$ 309,009</b>	<b>\$ 352,629</b>	<b>\$ (812,284)</b>	<b>\$ 786,788</b>
<b>Liabilities and Stockholders Equity</b>							
<b>Current liabilities:</b>							
Accounts payable	\$ 4,802	\$ 1,159		\$ 8,957			\$ 14,918
Current maturities of long-term debt	3,799	7,065		436	5,353		16,653
Current obligations under capital leases	1,093	2,615					3,708
Accrued interest	4,008	159		5	703		4,875
Due to affiliates	161,144					(161,144)	

Accrued liabilities and other	8,854	4,676	17,929	3,862		35,321
Total current liabilities	183,700	15,674	27,327	9,918	161,144)	75,475
Long-term debt	57,544	53,275	14,480	200,666		325,965
Senior notes	152,906					152,906
Obligations under capital leases	10,476	18,092				28,568
Due to affiliates		27,935			(27,935)	
Other liabilities	2,851	242	1,740	46		4,879
Total liabilities	407,477	115,218	43,547	210,630	(189,079)	587,793
Commitments and contingencies						
Minority interest						
Total stockholders equity	197,347	217,392	265,462	141,999	(623,205)	198,995
Total liabilities and stockholders equity	\$ 604,824	\$ 332,610	\$ 309,009	\$ 352,629	\$ (812,284)	\$ 786,788

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(a) In December 2004, the Company purchased the minority interest in a partnership that owns the Seabulk America (see Note 6). Subsequent to the acquisition, all Guarantor Restricted Subsidiaries are wholly-owned subsidiaries of the Company.

**Table of Contents****Condensed Consolidating Balance Sheet  
(in thousands)**

As of December 31, 2003

	Parent	Wholly Owned Guarantor Restricted Subsidiaries	Non-Wholly Owned Guarantor Restricted Subsidiaries	Non- Guarantor Restricted Subsidiaries	Non- Guarantor Unrestricted Subsidiaries	Eliminations	Consolidated Total
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 217	\$ 452	\$ 1,030	\$ 5,700	\$	\$	\$ 7,399
Restricted cash				1,478	26,980		28,458
Trade accounts receivable, net	(296)	13,686	822	34,161	1,226		49,599
Other receivables	3,739	3,338	16	2,799	838		10,730
Marine operating supplies	121	1,575	482	3,504	2,473		8,155
Due from affiliates		73,837		120,556	3,377	(197,770)	
Prepaid expenses and other	960	365	19	1,505	196		3,045
Total current assets	4,741	93,253	2,369	169,703	35,090	(197,770)	107,386
Vessels and equipment, net							
	34,998	138,211	29,893	106,401	217,523		527,026
Deferred costs, net	13,869	9,347	1,022	14,202	10,046		48,486
Investments in affiliates	506,250	2,214				(508,464)	
Due from affiliates	30,069					(30,069)	
Other	3,907	2,234		1,562	3,839		11,542
Total assets	\$ 593,834	\$ 245,259	\$ 33,284	\$ 291,868	\$ 266,498	\$ (736,303)	\$ 694,440

**Liabilities and  
Stockholders Equity**

Current liabilities:							
Accounts payable	\$ 5,256	\$ 2,658	\$	\$ 9,504	\$ 1,387	\$	\$ 18,805
Current maturities of long-term debt	4,250	1,650		139	4,998		11,037
Current obligations under capital leases	1,039	2,482					3,521
Accrued interest	5,079	100			633		5,812
Due to affiliates	194,184		63			(194,247)	
	11,395	3,010	415	20,293	2,250		37,363

Accrued liabilities  
and other

Total current liabilities	221,203	9,900	478	29,936	9,268	(194,247)	76,538
Long-term debt	35,575	14,665		1,958	206,019		258,217
Senior Notes	151,472						151,472
Obligations under capital leases	11,569	20,677					32,246
Due to affiliates			30,069			(30,069)	
Other liabilities	1,660	273		1,157	46		3,136
Total liabilities	421,479	45,515	30,547	33,051	215,333	(224,316)	521,609

Commitments and  
contingencies

Minority interest						476	476
Total stockholders equity	172,355	199,744	2,737	258,817	51,165	(512,463)	172,355
Total liabilities and stockholders equity	\$ 593,834	\$ 245,259	\$ 33,284	\$ 291,868	\$ 266,498	\$ (736,303)	\$ 694,440

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**Condensed Consolidating Statement of Operations**  
(in thousands)

Year Ended December 31, 2004

	Parent	Wholly Owned Guarantor Restricted Subsidiaries	Non-Wholly Owned Guarantor Restricted Subsidiaries	Non- Guarantor Restricted Subsidiaries	Non- Guarantor Unrestricted Subsidiaries	Eliminations	Consolidated Total
Revenue	\$ 44,565	\$ 105,237	\$	\$ 128,773	\$ 74,195	\$ (442)	\$ 352,328
Vessel and voyage expenses	26,591	60,547		71,508	34,240	(442)	192,444
General and administrative	11,994	9,297		14,708	1,527		37,526
Depreciation, amortization and drydocking	8,191	19,864		27,144	10,933		66,132
Gain on disposal of assets		(605)		(3,511)			(4,116)
Income (loss) from operations	(2,211)	16,134		18,924	27,495		60,342
Other (expense) income, net	4,348	(10,068)		(7,850)	(15,385)	(419)	(29,374)
Income before income taxes	2,137	6,066		11,074	12,110	(419)	30,968
Provision for income taxes				5,034			5,034
Net income	\$ 2,137	\$ 6,066	\$	\$ 6,040	\$ 12,110	\$ (419)	\$ 25,934

(a) In December 2004, the Company purchased the minority interest in a partnership that owns the Seabulk America (see Note 6). Subsequent to the acquisition, all Guarantor Restricted Subsidiaries are wholly-owned subsidiaries of the Company.

**Condensed Consolidating Statement of Operations**  
(in thousands)

Year Ended December 31, 2003

	Parent	Wholly Owned Guarantor Restricted Subsidiaries	Non-Wholly Owned Guarantor Restricted Subsidiaries	Non- Guarantor Restricted Subsidiaries	Non- Guarantor Unrestricted Subsidiaries	Eliminations	Consolidated Total
Revenue	\$ 44,264	\$ 78,637	\$ 13,662	\$ 119,466	\$ 60,946	\$ (417)	\$ 316,558
Vessel and voyage expenses	25,453	54,459	8,616	66,264	25,301	(417)	179,676
General and administrative	10,912	10,206	894	14,349	1,682		38,043



Depreciation, amortization and drydocking	8,250	15,710	2,988	28,629	9,796		65,373
Write-down of assets held for sale		1,219					1,219
Gain on disposal of assets		(1,136)		(327)			(1,463)
Income (loss) from operations	(351)	(1,821)	1,164	10,551	24,167		33,710
Other expense, net	(1,268)	(8,588)	(1,616)	(7,428)	(15,684)	147	(34,437)
Income (loss) before income taxes	(1,619)	(10,409)	(452)	3,123	8,483	147	(727)
Provision for income taxes				4,238			4,238
Net income (loss)	\$ (1,619)	\$ (10,409)	\$ (452)	\$ (1,115)	\$ 8,483	\$ 147	\$ (4,965)

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**Condensed Consolidating Statement of Operations**  
(in thousands)

Year Ended December 31, 2002

	Parent	Wholly Owned Guarantor Restricted Subsidiaries	Non-Wholly Owned Guarantor Restricted Subsidiaries	Non- Guarantor Restricted Subsidiaries	Non- Guarantor Unrestricted Subsidiaries	Eliminations	Consolidated Total
Revenue	\$ 43,604	\$ 82,881	\$ 12,352	\$ 123,989	\$ 61,284	\$ (113)	\$ 323,997
Vessel and voyage expenses	26,398	54,329	7,783	67,546	26,615	(113)	182,558
General and administrative	12,257	10,333	885	13,534	1,648		38,657
Depreciation, amortization and drydocking	7,952	17,453	2,313	29,127	9,531		66,376
(Gain) loss on disposal of assets, net		(1,901)		537			(1,364)
Income (loss) from operations	(3,003)	2,667	1,371	13,245	23,490		37,770
Other expense, net	(30,576)	(11,474)	(2,043)	(11,895)	(16,010)		(71,998)
Income (loss) before provision for income taxes	(33,579)	(8,807)	(672)	1,350	7,480		(34,228)
Provision (benefit) for income taxes	(1,520)			6,162			4,642
Net income (loss)	\$ (32,059)	\$ (8,807)	\$ (672)	\$ (4,812)	\$ 7,480	\$	\$ (38,870)

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	<b>Condensed Consolidating Statement of Cash Flows</b>		
	<b>(in thousands)</b>		
	<b>Year Ended December 31, 2004</b>		
		<b>Wholly Owned Guarantor Restricted Subsidiaries</b>	<b>Non-Wholly Owned Guarantor Restricted Subsidiaries<sup>(a)</sup></b>
	<b>Parent</b>		
<b>Operating activities:</b>			
Net cash provided by operating activities	\$ 8,330	\$ 11,375	\$
<b>Investing activities:</b>			
Purchases of vessels and equipment	(20,220)	(62,706)	
Proceeds from disposals of assets		1,011	
Investment in joint venture			
Acquisition of minority interest			
Net cash used in investing activities	(20,220)	(61,695)	
<b>Financing activities:</b>			
Payments on Amended Credit Facility	(1,483)		
Proceeds from Amended Credit Facility	20,000		
Payments of long-term debt	(2,100)	(5,756)	
Proceeds from long-term debt	7,252	62,599	
Payments of Title XI bonds	(2,142)		
Payments of other deferred financing costs	(661)	(570)	
Payments of deferred financing costs under 2003 Senior Notes and Amended Credit Facility	(285)		
Payments of obligations under capital leases	(1,039)	(2,452)	
Proceeds from exercise of stock options	396		
Proceeds from exercise of warrants			
Increase in restricted cash			
Net cash provided by (used in) financing activities	19,938	53,821	
Change in cash and cash equivalents	8,048	3,501	
Cash and cash equivalents at beginning of period	\$ 217	\$ 1,482	\$
Cash and cash equivalents at end of period	\$ 8,265	\$ 4,983	\$

(a) In December 2004, the Company purchased the minority interest in a partnership that owns the Seabulk America (see Note 6). Subsequent to the acquisition, all Guarantor Restricted Subsidiaries are wholly-owned subsidiaries of the Company.

**Table of Contents****Condensed Consolidating Statement of Cash Flows**  
**(in thousands)****Year Ended December 31, 2004**

	<b>Non- Guarantor Restricted Subsidiaries</b>	<b>Non- Guarantor Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>Operating activities:</b>				
Net cash provided by operating activities	\$ 26,044	\$ 13,396	\$	\$ 59,145
<b>Investing activities:</b>				
Purchases of vessels and equipment	(29,779)	(35)		(112,740)
Proceeds from disposal of assets	5,352			6,363
Investment in joint venture	(300)			(300)
Acquisition of minority interest		(2,410)		(2,410)
Net cash used in investing activities	(24,727)	(2,445)		(109,087)
<b>Financing activities:</b>				
Payments on Amended Credit Facility				(1,483)
Proceeds from Amended Credit Facility				20,000
Payments of long-term debt				(7,856)
Proceeds from long-term debt				69,851
Payments of Title XI bonds		(5,006)		(7,148)
Payments of other deferred financing costs	(38)			(1,269)
Payments of deferred financing costs under 2003 Senior Notes and Amended Credit Facility				(285)
Payments of obligations under capital leases				(3,491)
Proceeds from exercise of stock options				396
Proceeds from exercise of warrants				
Increase in restricted cash	(1,278)	(5,945)		(7,223)
Net cash provided by (used in) financing activities	(1,316)	(10,951)		61,492
Change in cash and cash equivalents	1			11,550
Cash and cash equivalents at beginning of period	\$ 5,700	\$	\$	\$ 7,399
Cash and cash equivalents at end of period	\$ 5,701	\$	\$	\$ 18,949

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	<b>Condensed Consolidating Statement of Cash Flows</b>		
	<b>(in thousands)</b>		
	<b>Year Ended December 31, 2003</b>		
	<b>Parent</b>	<b>Wholly Owned Guarantor Restricted Subsidiaries</b>	<b>Non-Wholly Owned Guarantor Restricted Subsidiaries</b>
<b>Operating activities:</b>			
Net cash provided by (used in) operating activities	\$ (9,958)	\$ 12,850	\$ 1,028
<b>Investing activities:</b>			
Purchases of vessels and equipment	(1,388)	(1,314)	(11)
Proceeds from disposals of assets		4,380	
Investment in joint venture			
Net cash provided by (used in) investment activities	(1,388)	3,066	(11)
<b>Financing activities:</b>			
Payments of prior credit facility	(148,179)		
Proceeds from 2003 Senior Notes	150,000		
Payments of long-term debt	(5,436)	(1,972)	
Proceeds from long-term debt		6,525	
Payment of other deferred financing costs		(106)	
Payments of Title XI bonds	(2,150)	(549)	
Retirement of Title XI bonds		(11,181)	
Payment of deferred financing costs under prior credit facility	(88)		
Payments of deferred financing costs under 2003 Senior Notes and Amended Credit Facility	(5,458)		
Net proceeds from sale leaseback	13,274		
Payments of obligations under capital leases	(828)	(8,594)	
Proceeds from exercise of stock options	307		
Proceeds from exercise of warrants	2		
Increase in restricted cash	(2,197)		
Net cash provided by (used in) financing activities	(753)	(15,877)	
Change in cash and cash equivalents	(12,099)	39	1,017
Cash and cash equivalents at beginning of period	\$ 12,316	\$ 413	\$ 13
Cash and cash equivalents at end of period	\$ 217	\$ 452	\$ 1,030

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**Condensed Consolidating Statement of Cash Flows**  
(in thousands)

Year Ended December 31, 2003

	Non- Guarantor Restricted Subsidiaries	Non- Guarantor Unrestricted Subsidiaries	Eliminations	Consolidated Total
<b>Operating activities:</b>				
Net cash provided by (used in) operating activities	\$ 22,216	\$ 12,187	\$	\$ 38,323
<b>Investing activities:</b>				
Purchases of vessels and equipment	(27,798)	(172)		(30,683)
Proceeds from disposals of assets	5,045			9,425
Investment in joint venture	(400)			(400)
Net cash provided by (used in) investing activities	(23,153)	(172)		(21,658)
<b>Financing activities:</b>				
Payments of prior credit facility				(148,179)
Proceeds from 2003 Senior Notes				150,000
Payments of long-term debt				(7,408)
Proceeds from long-term debt	2,097			8,622
Payments of other deferred financing costs	(120)			(226)
Payments of Title XI bonds		(4,679)		(7,378)
Retirement of Title XI bonds				(11,181)
Payments of deferred financing costs under prior credit facility				(88)
Payments of deferred financing costs under 2003 Senior Notes and Amended Credit Facility				(5,458)
Net proceeds from sale leaseback				13,274
Payments of obligations under capital leases				(9,422)
Proceeds from exercise of stock options				307
Proceeds from exercise of warrants				2
Increase in restricted cash	(142)	(7,336)		(9,675)
Net cash provided by (used in) financing activities	1,835	(12,015)		(26,810)
Change in cash and cash equivalents	898			(10,145)
Cash and cash equivalents at beginning of period	\$ 4,802	\$	\$	\$ 17,544
Cash and cash equivalents at end of period	\$ 5,700	\$	\$	\$ 7,399

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	<b>Condensed Consolidating Statement of Cash Flows</b>		
	<b>(in thousands)</b>		
	<b>Year Ended December 31, 2002</b>		
	<b>Parent</b>	<b>Wholly Owned Guarantor Restricted Subsidiaries</b>	<b>Non-Wholly Owned Guarantor Restricted Subsidiaries</b>
<b>Operating activities:</b>			
Net cash provided by (used in) operating activities	\$ 23,811	\$ (2,144)	\$ 248
<b>Investing activities:</b>			
Purchases of vessels and equipment	(315)	(2,837)	(249)
Proceeds from disposals of assets	252	10,049	
Net cash provided by (used in) investing activities	(63)	7,212	(249)
<b>Financing activities:</b>			
Net payments of revolving credit facility	(9,000)		
Payments of prior credit facility	(125)		
Proceeds from prior credit facility	178,800		
Payments of prior Senior Notes	(101,499)		
Payments of long-term debt	(164,524)	(1,293)	
Proceeds of Private Placement, net of issuance costs	90,901		
Payments of Title XI bonds	(2,150)	(646)	
Payments of deferred financing costs under prior credit facility	(4,128)		
Payments of obligations under capital leases		(2,986)	
Proceeds from exercise of warrants	1		
Proceeds from exercise of stock options	42		
Increase in restricted cash			
Net cash used in financing activities	(11,682)	(4,925)	
Change in cash and cash equivalents	12,066	143	(1)
Cash and cash equivalents at beginning of period	\$ 250	\$ 270	\$ 14
Cash and cash equivalents at end of period	\$ 12,316	\$ 413	\$ 13

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**Table of Contents****Condensed Consolidating Statement of Cash Flows**  
**(in thousands)****Year Ended December 31, 2002**

	<b>Non- Guarantor Restricted Subsidiaries</b>	<b>Non- Guarantor Unrestricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated Total</b>
<b>Operating activities:</b>				
Net cash provided by (used in) operating activities	\$ (1,108)	\$ 16,805	\$	\$ 37,612
<b>Investing activities:</b>				
Purchases of vessels and equipment	(352)			(3,753)
Proceeds from disposals of assets	2,374			12,675
Net cash provided by (used in) investing activities	2,022			8,922
<b>Financing activities:</b>				
Net payments of revolving credit facility				(9,000)
Payments of prior credit facility				(125)
Proceeds for prior credit facility				178,800
Payments of prior Senior Notes				(101,499)
Payments of long-term debt				(165,817)
Proceeds of Private Placement, net of issuance costs				90,901
Payments of Title XI bonds		(4,370)		(7,166)
Payments of deferred financing costs under prior credit facility				(4,128)
Payments of obligations under capital leases				(2,986)
Proceeds from exercise of warrants				1
Proceeds from exercise of stock options				42
Increase in restricted cash		(12,435)		(12,435)
Net cash used in financing activities		(16,805)		(33,412)
Change in cash and cash equivalents	914			13,122
Cash and cash equivalents at beginning of period	\$ 3,888	\$	\$	\$ 4,422
Cash and cash equivalents at end of period	\$ 4,802	\$	\$	\$ 17,544

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**18. Subsequent Event (unaudited)**

On March 16, 2005, Seabulk announced that it had signed a definitive merger agreement with SEACOR Holdings, Inc. ( SEACOR ). The Boards of Directors of both companies have unanimously approved the transaction. Under the terms of the merger agreement, Seabulk's stockholders will, subject to limited adjustments, receive 0.2694 of a share of SEACOR common stock plus cash of \$4.00 for each issued and outstanding share of Seabulk common stock. In certain circumstances, the portion of the merger consideration payable in cash may be reduced and shares of SEACOR common stock, having a value on the closing date equal to the cash reduction, may be substituted therefor.

The merger is expected to close by the end of the second quarter of 2005, subject to approval by Seabulk's stockholders of the merger and SEACOR's stockholders of the issuance of shares of its common stock in the merger, the receipt of certain regulatory approvals and the satisfaction of customary closing conditions, in accordance with terms of the merger agreement.

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