

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934—For the Fiscal Year Ended March 31, 2003
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934—For the Transition Period From to .

Commission file number 1-6311

TIDEWATER INC.

(Exact name of registrant as specified in its Charter)

Delaware

72-0487776

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

601 Poydras Street, New Orleans, Louisiana

70130

(Address of principal executive offices)

(Zip Code)

Registrant's Telephone Number, including area code (504) 568-1010

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.10	New York Stock Exchange, Pacific Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange, Pacific Stock Exchange

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

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 the 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 by Rule 12b-2 of the Act). Yes No

[Table Of Contents](#)

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of September 30, 2002, was approximately \$1,497,384,583 based upon the last sales price reported for such date. Excluded from the calculation of market value are 4,076,278 shares held by the Registrant's grantor stock ownership trust.

56,639,777 shares of Tidewater Inc. common stock \$0.10 par value per share were outstanding on April 11, 2003. Excluded from the calculation of shares outstanding at April 11, 2003 are 3,939,150 shares held by the Registrant's grantor stock ownership trust. Registrant has no other class of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for Registrant's 2003 Annual Meeting of Stockholders are incorporated into Part III of this report.

TABLE OF CONTENTS

Item Number		Page
Part I		
1 & 2.	Business and Properties	3
3.	Legal Proceedings	10
4.	Submission of Matters to a Vote of Security Holders	10
4A.	Executive Officers of the Registrant	10
Part II		
5.	Market for the Registrant's Common Stock and Related Stockholder Matters	11
6.	Selected Financial Data	11
7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	12
7A.	Quantitative and Qualitative Disclosures About Market Risk	27
8.	Financial Statements and Supplementary Data	28
9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	28
Part III		
10.	Directors and Executive Officers of the Registrant	29
11.	Executive Compensation	29
12.	Security Ownership of Certain Beneficial Owners and Management	29
13.	Certain Relationships and Related Transactions	29
14.	Controls and Procedures	29
Part IV		
15.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	30
SIGNATURES		32
Certification of Executive Officers		33

Forward-looking Information and Cautionary Statement

In accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the company notes that this Annual Report on Form 10-K and the information incorporated herein by reference contain certain forward-looking statements which reflect the company's current view with respect to future events and financial performance. Any such forward-looking statements are subject to risks and uncertainties and the company's future results of operations could differ materially from historical results or current expectations. Some of these risks are discussed in this report, and include, without limitation, fluctuations in oil and gas prices; level of fleet additions by competitors and vessel overcapacity; changes in capital spending by customers in the energy industry for exploration, development and production; changing customer demands for different vessel specifications; acts of terrorism; unsettled political conditions, war, civil unrest and governmental actions, especially in higher risk countries of operations; foreign currency fluctuations; and environmental and labor laws.

Forward-looking statements, which can generally be identified by the use of such terminology as "may," "expect," "anticipate," "estimate," "forecast," "believe," "think," "could," "will," "continue," "intend," "seek," "plan," "should," "would" and similar expressions contained in this report, are predictions and not guarantees of future performance or events. Any forward-looking statements are based on current industry, financial or economic information, which the company has assessed but which by its nature is dynamic and subject to rapid and possibly abrupt changes. The company's actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with our business. The forward-looking statements should be considered in the context of the risk factors listed above and discussed elsewhere in this Form 10-K. Investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements. Management disclaims any obligation to update or revise the forward-looking statements contained herein to reflect new information, future events or developments.

PART I

ITEMS 1 and 2. BUSINESS AND PROPERTIES

General

Tidewater Inc. (the "company"), a Delaware corporation, provides offshore supply vessels and marine support services to the offshore energy industry through the operation of the world's largest fleet of offshore marine service vessels. The company's worldwide headquarters and principal executive offices are located at 601 Poydras Street, New Orleans, Louisiana 70130, and its telephone number is (504) 568-1010. The company was incorporated in 1956. Unless otherwise required by the context, the term "company" as used herein refers to Tidewater Inc. and its consolidated subsidiaries.

With a fleet of over 545 vessels, the company operates (either through its consolidated entities or joint-ventures in which it participates), and has a leading market share, in most of the world's significant oil and gas exploration and production markets and provides services supporting all phases of offshore exploration, development and production, including: towing of and anchor handling of mobile drilling rigs and equipment; transporting supplies and personnel necessary to sustain drilling, workover and production activities; assisting in offshore construction activities; and a variety of specialized services including pipe laying, cable laying and 3-D seismic work.

Availability of Reports

The company's Internet website address is <http://www.tdw.com>. The company makes available free of charge, on or through its website, its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after they are electronically filed with the Securities and Exchange Commission. Information appearing on the company's website is not part of any report filed with the Securities and Exchange Commission.

Recent Developments

On April 1, 2003, the company paid \$79 million in cash to ENSCO International Incorporated to purchase its 27-vessel Gulf of Mexico-based marine fleet. The cash sale was funded by a newly-placed \$100 million term loan agreement with a group of banks that expires on July 31, 2004. The loan bears interest, at the company's option, at prime or Federal Funds rates plus .5% or Eurodollar rates plus margin of .85%. The mix of vessels the company acquired consists of five anchor handling towing supply vessels, six stretched 220-foot platform supply vessels and 16 supply vessels. In conjunction with this acquisition, it was also agreed that, for a period of two years and subject to satisfactory performance, the company will provide to ENSCO all of its discretionary vessel requirements in the Gulf of Mexico. The day rates to be charged under the arrangement are based upon predetermined pricing criteria. The acquisition enhances the competitive posture of the company in providing anchor handling and towing-supply services in the Gulf of Mexico and better positions the company for an upturn in the domestic market.

For the past three fiscal years, the company has engaged in an aggressive deepwater new-build vessel construction and deepwater vessel acquisition program. These efforts have facilitated the company's entrance into the deepwater markets of the world. During this three year period, the company committed \$729 million for the purchase and construction of 33 large deepwater vessels, of which \$662.5 million has been expended through March 31, 2003. Twenty-six of these vessels, of which 11 were acquired and 15 were newly-built, have been delivered, crewed and are working under contracts of varied terms. The company also initiated a fleet replacement program for its supply boats in tandem with its deepwater vessel program and committed \$149.8 million, of which \$99.4 million has been expended through March 31, 2003, for the construction of 13 supply vessels. The first three replacement fleet vessels were delivered to the market during fiscal 2003. Scheduled delivery of the remaining 10 replacement vessels will begin in April 2003 with the final vessel delivered in May 2004. The six stretched platform supply vessels acquired from ENSCO on April 1, 2003 discussed above helped accelerate the company's domestic fleet replacement program.

The company is also engaged in a crewboat expansion program that began in fiscal 2002 by acquiring 11 existing crewboats and committing to the construction of 14 additional crewboats of which six have been delivered to the market through fiscal 2003. The company committed \$102.3 million for the acquisition and construction of these vessels, of which \$72.2 million has been expended through March 31, 2003. Scheduled delivery of the remaining eight vessels under construction is expected to run from April 2003 through October 2003. Eighteen of the vessels are large traditional crewboats while four are state-of-the-art, fast, crew/supply vessels. The remaining three vessels are smaller water jet craft. The acquisition of these vessels has allowed the company to meet its customers' demand for crewboats - a fast-growing segment of the offshore marine service market, and expand the company's market share in the U.S. Gulf of Mexico. Crewboats typically maintain higher utilization rates and have lower maintenance costs compared to supply vessels. In addition, the crewboat market has fewer competitors as compared to the supply vessel market.

All three expansion programs were initiated with the intent to replace the company's core fleet with fewer, larger and more efficient vessels while strengthening the company's leading presence in all major oil and gas producing regions of the world. In order to avoid potential overcapacity in our markets that could be created through the addition of the vessels discussed above, the company sold and/or scrapped 121 vessels between April 2000 and March 2003.

The company has been financing all of its vessel commitment programs from current cash balances, operating cash flow and its revolving credit facility. At March 31, 2003, the company had 25 vessels under construction with a total capital commitment of \$360.8 million, of which the company has already expended \$214.1 million. A full discussion of each event including capital commitments and scheduled delivery dates is disclosed in the "Vessel Acquisition and Construction Programs" and "Vessel Dispositions" section of Item 7 and Notes 8 and 10 of Notes to Consolidated Financial Statements.

Areas of Operation

The company's fleet is deployed in the major offshore oil and gas areas of the world. The principal areas of the company's operations include the U.S. Gulf of Mexico, the North Sea, the Persian Gulf, and

[Table Of Contents](#)

areas offshore Australia, Brazil, Egypt, India, Indonesia, Malaysia, Mexico, Trinidad, Venezuela and West Africa. The company conducts its operations through wholly-owned subsidiaries and joint ventures. Information concerning revenues and operating profit derived from domestic and international marine operations and domestic and international marine identifiable assets for each of the fiscal years ended March 31 are summarized below:

	(In thousands)		
	2003	2002	2001
Revenues:			
Vessel operations:			
United States	\$ 103,368	203,648	197,660
International	521,187	511,713	386,271
Other marine operations	11,268	13,668	32,748
	<u>\$ 635,823</u>	<u>729,029</u>	<u>616,679</u>
Operating profit:			
Vessel operations:			
United States	\$ (15,380)	56,128	26,812
International	138,945	145,412	65,241
Other marine operations	4,168	4,042	7,137
Gain on sales of assets	6,162	6,380	22,750
	<u>\$ 133,895</u>	<u>211,962</u>	<u>121,940</u>
Identifiable assets:			
United States	\$ 478,093	370,836	293,070
International	1,281,031	1,229,802	1,063,709
	<u>\$1,759,124</u>	<u>1,600,638</u>	<u>1,356,779</u>

Please refer to Item 7 of this report and Note 11 of Notes to Consolidated Financial Statements for further discussion of revenues, operating profit and identifiable assets.

Marine Vessel Fleet

The company's vessels regularly and routinely move from one operating area to another, often to and from offshore operating areas of different continents. Tables comparing the average size of the company's marine fleet by class and geographic distribution for the last three fiscal years are included in Item 7 of this report. The company discloses its vessel statistical information, such as utilization and average day rates, by vessel class. Listed below are the company's five vessel classes along with a description of the type of vessels categorized in each class and the services the respective vessels perform.

Deepwater Vessels. The company's newest class of vessel is its deepwater vessel class, often referred to as North Sea-type vessels. Included in this class are large platform supply vessels and large, high-horsepower (generally greater than 10,000 horsepower) anchor handling towing supply vessels. This vessel class is chartered to customers for use in transporting supplies and equipment from shore bases to deepwater and intermediate offshore drilling rigs, platforms and other installations. Platform supply vessels, which have large cargo handling capabilities, serve drilling and production facilities and support offshore construction and maintenance work. The anchor handling towing supply vessels are equipped for and are capable of towing drilling rigs and other marine equipment, as well as setting anchors for positioning and mooring drilling rigs.

Towing Supply and Supply Vessels. This is the company's largest fleet class by number of vessels. Included in this class are anchor handling towing supply vessels and supply vessels with average horsepower below 10,000 BHP, and platform supply vessels that are generally less than 220 feet. The respective vessels in this class perform the same functions and services as their deepwater vessel class counterparts except they are chartered to customers for use in the intermediate and shallow waters.

Crewboats and Utility Vessels. Crewboats and utility vessels are chartered to customers for use in transporting personnel and small quantities of supplies from shore bases to offshore drilling rigs, platforms and other installations.

[Table Of Contents](#)

Offshore Tugs. Offshore tugs tow floating drilling rigs; dock tankers; tow barges; assist pipe laying, cable laying and construction barges; and are used in a variety of other commercial towing operations, including towing barges carrying a variety of bulk cargoes and containerized cargo.

Other Vessels. The company's vessels also include inshore tugs; inshore barges; offshore barges; and production, line-handling and various other special purpose vessels. Inshore tugs, which are operated principally within inland waters, tow drilling rigs to and from their locations, and tow barges carrying equipment and materials for use principally in inland waters for drilling and production operations. Barges are either used in conjunction with company tugs or are chartered to others.

Revenue Contribution of Main Classes of Vessels

Revenues from vessel operations were derived from the main classes of vessels in the following percentages:

	Year Ended March 31,		
	2003	2002	2001
Deepwater vessels	17.5%	13.3%	6.9%
Towing-supply/supply	61.6%	65.0%	70.6%
Offshore tugs	11.0%	9.5%	9.6%
Crew/utility	9.2%	11.0%	11.5%
Other	0.7%	1.2%	1.4%

Shipyard Operations

Quality Shipyards, LLC, a wholly-owned subsidiary of the company, operates two shipyards in Houma, Louisiana, which construct, modify and repair vessels. While the shipyard performs some work for outside customers, the majority of its business relates to the construction, repair and modification of the company's vessels. Quality Shipyards, LLC recently constructed four of the company's deepwater platform supply vessels. Three of the vessels were delivered in calendar year 2002 and the final vessel was delivered in March 2003. Quality Shipyards, LLC is presently constructing for the company three 220-foot next generation supply vessels which are scheduled for delivery between April 2003 and December 2003.

Insurance

The operation of any marine vessel involves an inherent risk of catastrophic marine disaster, adverse weather conditions, mechanical failure, collisions, and property losses to the vessel and business interruption due to political action in countries other than the United States. Any such event may result in a reduction in revenues or increased costs. The company's vessels are insured for their estimated market value against damage or loss, including war, terrorism acts, and pollution risks. The company also carries workers' compensation, maritime employer's liability, directors and officers liability, general liability (including third party pollution) and other insurance customary in the industry.

The continued threat of terrorist activity and other acts of war or hostility following the terrorist attacks on the United States on September 11, 2001, the United States-led military response to counter terrorism and the current United States military actions in Afghanistan and Iraq have significantly increased the risk of political, economic and social instability in some of the geographic areas in which the company operates. It is possible that further acts of terrorism may be directed against the United States domestically or abroad and such acts of terrorism could be directed against properties and personnel of U.S.-owned companies such as ours. The resulting economic, political and social uncertainties, including the potential for terrorist acts and war, have caused the premiums charged for our insurance coverage to increase. After the events of September 11, 2001, the company's insurance underwriters imposed higher premiums for war risk coverage on the company's vessels. The company currently maintains war risk coverage on its entire fleet. To date, the company has not experienced any property losses as a result of terrorism, political instability or war.

Management believes that the company's insurance coverage is adequate. The company has not experienced a loss in excess of insurance policy limits; however, there is no assurance that the company's

[Table Of Contents](#)

liability coverage will be adequate to cover all potential claims that may arise nor can the company claim that it will be able to maintain adequate insurance in the future at rates considered reasonable especially with the current level of uncertainty in the market.

Industry Conditions, Competition and Customers

The company's operations are materially dependent upon the levels of activity in offshore oil and natural gas exploration, development and production throughout the world. Such activity levels are affected by the trends in worldwide crude oil and natural gas prices that are ultimately influenced by the supply and demand relationship for the natural resources. A discussion of current market conditions appears under "General Market Conditions and Results of Operations" in Item 7 of this report.

The principal competitive factors for the offshore vessel service industry are suitability and availability of equipment, price and quality of service. The company has numerous competitors in virtually all areas in which it operates and competition is intense. During the current downturn in the Gulf of Mexico market, the company has made a strategic decision to attempt to maintain high day rates at the expense of lower utilization. The lower utilization of our Gulf of Mexico supply vessel fleet has resulted in the company "cold stacking" approximately 70% of its domestic supply vessel fleet. The majority of the company's competitors in the Gulf of Mexico have elected to charge lower day rates and maintain a much higher utilization level for their vessels. Certain customers of the company own and operate vessels to service certain of their offshore activities.

The company's diverse, mobile asset base and geographic distribution allow it to respond to changes in market conditions and provide a broad range of vessel services to its customers throughout the world. Management believes that the company has a significant competitive advantage because of the size, diversity and geographic distribution of its vessel fleet, the company's financial condition and economies of scale.

The company's principal customers are major oil and natural gas exploration, development and production companies, foreign government-owned or controlled organizations and companies that explore and produce oil and natural gas, and companies that provide other services to the offshore energy industry. Over the last several years, consolidation of exploration, development and production companies has occurred which has, and will continue to have, an impact on the company's global operations. Although one customer accounted for 13% and the five largest customers accounted for approximately 36% of its revenues during the year ended March 31, 2003, the company does not consider its operations dependent on any single customer.

Regulatory Matters

The company's vessels are subject to various statutes and regulations governing their operation and maintenance. Under the citizenship provisions of the Merchant Marine Act of 1920 and the Shipping Act, 1916, the company could not engage in U.S. coastwise trade if more than 25% of the company's outstanding stock was owned by non-U.S. citizens. The company has a dual stock certificate system to protect against non-U.S. citizens from owning more than 25% of its common stock. In addition, the company's charter permits the company certain remedies with respect to any transfer or purported transfer of shares of the company's common stock that would result in the ownership by non-U.S. citizens of more than 24% of its common stock. Based on information supplied to the company by its transfer agent, approximately 4.3% of the company's outstanding common stock was owned by non-U.S. citizens as of March 31, 2003.

The company's vessels are subject to various statutes and regulations governing their operation. The laws of the United States provide that once a vessel is registered under a flag other than the United States, it cannot thereafter engage in U.S. coastwise trade. Therefore, the company's non-U.S. flag vessels must continue to be operated abroad, and if the company was not able to secure charters abroad for them, and work would otherwise have been available for them in the United States, its operations would be adversely affected. Of the total 545 vessels owned or operated by the company at March 31, 2003, 305 were registered under flags other than the United States and 240 were registered under the U.S. flag.

[Table Of Contents](#)

All of the company's offshore vessels are subject to international safety and classification standards. U.S. flag towing supply and supply vessels are required to undergo periodic inspections and to be recertified under drydock examination at least twice every five years. Vessels registered under flags other than the United States are subject to similar regulations as governed by the laws of the applicable jurisdictions.

Seasonality

The company's vessel fleet generally has its highest utilization rates in the warmer temperature months when the weather is more favorable for offshore exploration, development and construction work. However, business volume for the company is more dependent on oil and natural gas prices and the global supply and demand conditions for the company's services than any seasonal variation.

Environmental Compliance

During the ordinary course of business the company's operations are subject to a wide variety of environmental laws and regulations. The company attempts to comply in all material respects with these laws and regulations in order to avoid costly accidents and related environmental damage. Compliance with existing governmental regulations that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, nor is expected to have, a material effect on the company. The company is proactive in establishing policies and operating procedures for safeguarding the environment against any environmentally hazardous material aboard its vessels and at shore base locations. Whenever possible, hazardous materials are maintained or transferred in confined areas to ensure containment if accidents occur. In addition, the company has established operating policies that are intended to increase awareness of actions that may harm the environment.

Employees

As of March 31, 2003, the company had approximately 6,950 employees worldwide. The company considers relations with its employees to be satisfactory. The company is not a party to any union contract in the United States but through several subsidiaries is a party to union agreements covering local nationals in several countries other than the United States. For the past few years, the company has been the target of a union organizing campaign for the U.S. Gulf of Mexico employees by maritime labor unions. These union efforts are still ongoing; however, union organizing activity has recently abated. If the Gulf employees were to unionize, the company's flexibility in managing industry changes in the domestic market could be adversely affected.

Business Risk Factors

The company operates in a business environment that has many risks. Listed below are some of the more critical risk factors that affect the company and the offshore marine service industry and should be considered when evaluating any forward-looking statement. The effect of any one risk factor or a combination of several risk factors could materially affect the company's results of operations and financial condition and the accuracy of any forward-looking statement made in this Form 10-K.

Oil and Gas Prices Are Highly Volatile. Commodity prices for crude oil and natural gas are highly volatile. Prices are extremely sensitive to the supply/demand relationship for the respective natural resources. High demand for crude oil and natural gas and/or low inventory levels for the resources as well as any perceptions about future supply interruptions can cause commodity prices for crude oil and natural gas to rise, while generally, low demand for natural resources and/or increases in crude oil and natural gas supplies cause commodity prices for the respective natural resources to decrease.

Factors that affect the supply of crude oil and natural gas include but are not limited to the following: the Organization of Petroleum Exporting Countries' (OPEC) ability to control crude oil production levels and pricing, as well as, the level of production by non-OPEC countries; political and economic uncertainties; advances in exploration and development technology; worldwide demand for natural resources; and governmental restrictions placed on exploration and production of natural resources.

[Table Of Contents](#)

Changes in the Level of Capital Spending by Our Customers. The company's principal customers are major oil and natural gas exploration, development and production companies. The company's results of operations are highly dependent on the level of capital spending by the energy industry. The energy industry's level of capital spending is substantially related to the prevailing commodity price of natural gas and crude oil. During periods of low commodity prices, the company's customers generally reduce their capital spending budgets for offshore drilling, exploration and development.

The Offshore Marine Service Industry is Highly Competitive. The company operates in a highly competitive environment. Competitive factors include price and quality of service by vessel operators and the quality and availability of vessels. Decreases in the level of offshore drilling and development activity by the energy industry generally negatively affect the demand for the company's vessels thereby exerting downward pressure on day rates. Extended periods of low vessel demand and/or low day rates will reduce the company's revenues. Also, excess marine service capacity exerts downward pressure on day rates. Excess capacity can occur when newly constructed vessels enter the market and when vessels are mobilized between market areas. While the company has committed to the construction of several vessels, it has also sold and/or scrapped a significant number of vessels over the last few years. A discussion about the company's new vessel construction programs appears in the "Vessel Acquisition and Construction Programs" section of Item 7.

Failure to Attract and Retain Key Management and Technical Personnel. The company's success depends upon the continued service of its executive officers and other key management and technical personnel, particularly the company's area managers and fleet personnel, and our ability to attract, retain, and motivate highly qualified personnel. The loss of the services of a number of the company's executive officers, area managers, fleet personnel or other key employees, or our ability to recruit replacements for such personnel or to otherwise attract, retain and motivate highly qualified personnel could harm the company. The company currently does not carry key employee life insurance payable to the company with respect to any of its management employees.

Risks Associated with Operating Internationally. For the fiscal years ended March 31, 2003, 2002 and 2001, 82%, 70%, and 63%, respectively, of the company's total revenues were generated by international operations. The company's international marine vessel operations are vulnerable to the usual risks inherent in doing business in countries other than the United States. Such risks include political and economic instability, possible vessel seizures or nationalization of assets and other governmental actions, the ability to recruit and retain management of overseas operations, currency fluctuations and revaluations, and import/export restrictions; all of which are beyond the control of the company.

The continued threat of terrorist activity and other acts of war or hostility following the terrorist attacks on the United States on September 11, 2001, the United States-led military response to counter terrorism and the current United States military actions in Afghanistan and Iraq have significantly increased the risk of political, economic and social instability in some of the geographic areas in which the company operates. It is possible that further acts of terrorism may be directed against the United States domestically or abroad and such acts of terrorism could be directed against properties and personnel of U.S.-owned companies such as ours. To date, the company has not experienced any property losses or material adverse effects on its results of operations and financial condition as a result of terrorism, political instability or war.

In addition to the foregoing general risks inherent with operating internationally, the company currently bears specific risks associated with its offshore operations in the Middle East, Southeast Asia, Venezuela and Nigeria. The potential for economic, political and social instability has been exacerbated in the Middle East by the U.S. war with Iraq and the continuing military presence in Afghanistan. Although terrorism and war developments have not adversely affected the company's operations in the Middle East, the company, like other American companies engaged in business in the region, could be subject to the interruption of its operations, or other adverse developments. At this time, it is not possible to assess at what time in the future political and social conditions in this region will return to normal.

Political and social unrest continues to be present in Indonesia. Much of this turmoil can be traced to separatist groups opposing Indonesian governmental rule and also to religious turmoil and regional reaction to the United States military and political response to the terrorist attacks on the United States on

[Table Of Contents](#)

September 11, 2001. Although this reaction has not been destabilizing to the company, there continues to be a higher than normal level of unrest throughout the region.

In early December 2002, oil production in Venezuela was interrupted by a general strike led by the workers of the government-owned oil company in Venezuela (PDVSA). The debilitating national strike lasted for two months and ended in early February 2003. The company's vessel operations in Venezuela were impacted by the two-month long strike. In December 2002 the company had 11 vessels contracted with PDVSA. The majority of the vessels ceased operations during strike, but continued to earn revenue on a per day basis as stipulated in the charter hire agreements or as agreed to by PDVSA representatives.

Violence in Nigeria since mid-March 2003 has significantly and adversely affected Nigeria's oil production. Several exploration and production company's operational facilities near Warri, Nigeria have been evacuated and shut down as a result of the civil unrest. Nigerian militants have taken over and threaten to destroy installations of oil multinationals in reprisal for attacks by the Nigerian military. The political unrest mainly affects our inshore Nigerian operations where smaller vessels with low day rates are chartered to customers. The company's vessels that operated in the Warri area have come off hire due to the unrest; but these same vessels were immediately chartered to other customers with work sites located in areas of Nigeria that are not affected by the civil unrest. To date, the company's results of operations in Nigeria have not been adversely affected by the political unrest, but the situation in Nigeria continues to be unstable.

At present, the company believes the risks of operating internationally to be within acceptable limits and, in view of the mobile nature of the company's principal revenue producing assets, does not consider them to constitute a factor materially adverse to the conduct of its international marine vessel operations as a whole.

ITEM 3. LEGAL PROCEEDINGS

The company is not a party to any litigation that, in the opinion of management, is likely to have a material adverse effect on the company's financial position or results of operations.

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

There were no matters submitted to a vote of security holders during the fourth quarter of fiscal 2003.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

<u>Name</u>	<u>Age</u>	<u>Position</u>
Dean E. Taylor	54	Chief Executive Officer since March 2002. President and member of the Board of Directors since October 2001. Executive Vice President from 2000 to 2001. Senior Vice President from 1998 to 2000.
Cliffe F. Laborde	51	Executive Vice President since 2000. Senior Vice President from 1992 to 2000. General Counsel since 1992.
Stephen W. Dick	53	Executive Vice President since December 2001. Senior Vice President from 1999 to 2001. Vice President from 1990 to 1999.
J. Keith Lousteau	55	Chief Financial Officer since 2000. Executive Vice President since 2003. Senior Vice President from 2000 to 2003. Vice President from 1987 to 2000. Treasurer since 1987.
Joseph M. Bennett	47	Vice President and Principal Accounting Officer since 2000. Corporate Controller since 1990.

[Table Of Contents](#)

There are no family relationships between the directors or executive officers of the company. The company's officers are elected annually by the Board of Directors and serve for one-year terms or until their successors are elected.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The company's common stock is traded on the New York Stock Exchange and the Pacific Stock Exchange under the symbol TDW. At March 31, 2003, there were approximately 1,716 record holders of the company's common stock, based upon the record holder list maintained by the company's stock transfer agent. The following table sets forth the high and low closing sale prices of the company's common stock as reported on the New York Stock Exchange Composite Tape and the amount of cash dividends per share declared on Tidewater common stock for the periods indicated.

<u>Fiscal Year</u>	<u>Quarter</u>	<u>High</u>	<u>Low</u>	<u>Dividend</u>
2003	First	\$ 45.70	\$ 32.60	\$.15
	Second	33.61	23.38	.15
	Third	33.72	23.59	.15
	Fourth	32.25	27.40	.15
2002	First	\$ 51.23	\$ 37.20	\$.15
	Second	39.55	24.13	.15
	Third	35.10	25.01	.15
	Fourth	43.40	30.10	.15

For information regarding shares of common stock authorized for issuance under the company's equity compensation plans see Item 12 Security Ownership of Certain Beneficial Owners and Management.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth a summary of selected financial data for each of the last five fiscal years. This information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements of the company included in this report.

Years Ended March 31

(In thousands, except ratio and per share amounts)

	<u>2003</u>	<u>2002</u>	<u>2001(2)</u>	<u>2000(2)</u>	<u>1999(2)</u>
Revenues:					
Vessel revenues	\$ 624,555	715,361	583,931	538,517	911,048
Other marine revenues	11,268	13,668	32,748	36,298	57,944
	<u>\$ 635,823</u>	<u>729,029</u>	<u>616,679</u>	<u>574,815</u>	<u>968,992</u>
Net earnings	<u>\$ 88,630</u>	<u>136,159</u>	<u>86,143</u>	<u>76,590</u>	<u>210,719</u>
Earnings per common share (1)	<u>\$ 1.57</u>	<u>2.41</u>	<u>1.53</u>	<u>1.37</u>	<u>3.68</u>
Total assets	<u>\$1,849,578</u>	<u>1,669,370</u>	<u>1,505,492</u>	<u>1,432,336</u>	<u>1,394,458</u>
Long-term debt	<u>\$ 139,000</u>	<u>54,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Working capital	<u>\$ 141,225</u>	<u>152,891</u>	<u>205,000</u>	<u>328,856</u>	<u>198,532</u>
Current ratio	<u>2.95</u>	<u>3.07</u>	<u>3.45</u>	<u>5.39</u>	<u>3.41</u>
Cash dividends declared per common share	<u>\$.60</u>	<u>.60</u>	<u>.60</u>	<u>.60</u>	<u>.60</u>

(1) All per share amounts were computed on a diluted basis.

(2) During fiscal years 2001, 2000 and 1999, the company amortized goodwill in accordance with Accounting Principles Board Opinion No. 17. The company ceased amortizing goodwill effective fiscal 2002 in accordance with Statement of Financial Accounting Standard No. 142. Goodwill amortization expense for fiscal years 2001, 2000 and 1999 was \$9.2 million or \$.11 per share after tax for all three fiscal years. A discussion about goodwill appears in Item 7 and Note 1 of Notes to Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The company provides services and equipment to the global offshore energy industry through the operation of a diversified fleet of marine service vessels. Revenues, net earnings and cash flows from operations are dependent upon the activity level of the vessel fleet that is ultimately dependent upon oil and natural gas prices that, in turn, are determined by the supply/demand relationship for oil and natural gas. The following discussion should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and related disclosures.

Forward-looking Information and Cautionary Statement

In accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, the company notes that this Annual Report on Form 10-K and the information incorporated herein by reference contain certain forward-looking statements which reflect the company's current view with respect to future events and financial performance. Any such forward-looking statements are subject to risks and uncertainties and the company's future results of operations could differ materially from historical results or current expectations. Some of these risks are discussed in this report, and include, without limitation, fluctuations in oil and gas prices; level of fleet additions by competitors and vessel overcapacity; changes in capital spending by customers in the energy industry for exploration, development and production; changing customer demands for different vessel specifications; acts of terrorism; unsettled political conditions, war, civil unrest and governmental actions, especially in higher risk countries of operations; foreign currency fluctuations; and environmental and labor laws.

Forward-looking statements, which can generally be identified by the use of such terminology as "may," "expect," "anticipate," "estimate," "forecast," "believe," "think," "could," "will," "continue," "intend," "seek," "plan," "should," "would" and similar expressions contained in this report, are predictions and not guarantees of future performance or events. Any forward-looking statements are based on current industry, financial or economic information, which the company has assessed but which by its nature is dynamic and subject to rapid and possibly abrupt changes. The company's actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with our business. The forward-looking statements should be considered in the context of the risk factors listed above and discussed elsewhere in this Form 10-K. Investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements. Management disclaims any obligation to update or revise the forward-looking statements contained herein to reflect new information, future events or developments.

Critical Accounting Policies

The preparation of financial statements in accordance with accounting standards generally accepted in the United States requires management to make estimates and assumptions that affect both the recorded values of assets and liabilities at the date of the financial statements and the revenues recognized and expenses incurred during the reporting period. The company's estimates and assumptions affect its recognition of deferred expenses, bad debts, income taxes, the carrying value of its long-lived assets and goodwill, and its provision for certain contingencies. The company evaluates the reasonableness of these estimates and assumptions continually based on a combination of historical information and other information that comes to its attention that may vary its outlook for the future. Actual results may differ from these estimates under different assumptions.

Management suggests that the company's Summary of Significant Accounting Policies, as described in Note 1 of Notes to Consolidated Financial Statements, be read in conjunction with this Management's Discussion and Analysis of Financial Condition and Results of Operations. The company believes the critical accounting policies that most impact the company's consolidated financial statements are described below.

[Table Of Contents](#)

Revenue Recognition. The company's primary source of revenue is derived from time charter contracts of its vessels on a rate per day of service basis. These time charter contracts are generally either on a term basis (average three months to two years) or on a "spot" basis. The base rate of hire for a term contract is generally a fixed rate, provided, however, that term contracts often include escalation clauses to recover specific additional costs. A spot contract is a short-term agreement to provide offshore marine services to a customer for a specific short-term job. Spot contract terms generally range from one day to one week. Marine vessel revenues are recognized on a daily basis throughout the contract period.

Receivables. In the normal course of business, the company extends credit to its customers on a short-term basis. The company's principal customers are major oil and natural gas exploration, development and production companies. Although credit risks associated with our customers are considered minimal, the company routinely reviews its accounts receivable balances and makes adequate provisions for doubtful accounts.

The company self-insures potential hull damage and personal injury claims that may arise in the normal course of business. The company is exposed to insurance risks related to the company's reinsurance contracts with various insurance entities. The reinsurance recoverable amount can vary depending on the size of a loss. The exact amount of the reinsurance recoverable is not known until all losses are settled. The company estimates the reinsurance recoverable amount it expects to receive and also estimates losses for claims that have occurred but have not been reported or not fully developed. The company also monitors its reinsurance recoverable balances regularly for possible reinsurance exposure and makes adequate provisions for doubtful reinsurance receivables. It is the company's opinion that its accounts and reinsurance receivables have no impairment other than that for which provisions have been made.

Goodwill. The company tests goodwill impairment annually at a reporting unit level, as required, using carrying amounts as of December 31. The company considers its reporting units to be its domestic and international operations. The implied fair value of the reporting unit is determined by discounting the projected future operating cash flows for the remaining average useful life of the assets within the reporting units by the company's related cost of capital. Impairment is deemed to exist if the implied fair value of the reporting unit is less than the respective book value of the reporting unit, and in such case, an impairment loss would be recognized equal to the difference. There are many assumptions and estimates underlying the determination of the implied fair value of each reporting unit, such as, future expected utilization and average day rates for the vessels, vessel additions and attrition, operating expenses and tax rates. Although the company believes its assumptions and estimates are reasonable, deviations from the assumptions and estimates could produce a materially different result.

The company performed its annual impairment test as of December 31, 2002, and the test determined there was no goodwill impairment. At March 31, 2003, the company's goodwill balance represented 18% of total assets and 24% of stockholders' equity. Interim testing will be performed when events occur or circumstances indicate that the carrying amount of goodwill may be impaired. Examples of events or circumstances that might give rise to interim goodwill impairment testing include significant adverse industry or economic changes, significant business interruption due to political unrest or terrorism, unanticipated competition that has the potential to dramatically reduce the company's earning potential, legal issues, or the loss of key personnel.

Impairment of Long-Lived Assets. The company reviews long-lived assets for impairment whenever events occur or changes in circumstances indicate that the carrying amount of assets may not be recoverable. In such evaluation, the estimated future undiscounted cash flows generated by an asset, based upon the company's reasonable estimate of the remaining useful life of the asset, are compared with the amount recorded for the asset to determine if a write-down may be required. The company estimates cash flow based upon historical data adjusted for the company's best estimate of future market performance that is based on industry trends. If impairment exists, the carrying value of the long-lived asset is reduced to the estimated fair value of the asset, based upon its estimated future discounted cash flows. Although the company believes its assumptions and estimates are reasonable, deviations from the assumptions and estimates could produce a materially different result.

[Table Of Contents](#)

Income Taxes. The company determines its effective tax rate by estimating its permanent differences resulting from differing treatment of items for tax and accounting purposes. The company is periodically audited by taxing authorities in the United States and by the respective tax agencies in the countries in which we operate internationally. The tax audits generally include questions regarding the calculation of taxable income. Audit adjustments affecting permanent differences could have an impact on the company's effective tax rate.

The carrying value of the company's net deferred tax assets assumes that the company will be able to generate sufficient future taxable income in certain tax jurisdictions to utilize such deferred tax assets, based on estimates and assumptions. If these estimates and related assumptions change in the future, the company may be required to record additional valuation allowances against its deferred tax assets resulting in additional income tax expense in the company's consolidated statement of operations. Management evaluates the realizability of the deferred tax assets quarterly and assesses the need for additional valuation allowances quarterly. While the company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event the company were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Should the company determine that it would not be able to realize all or part of its net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Drydocking Costs. The company expenses maintenance and repair costs as incurred during the asset's original estimated useful life (its original depreciable life). Major repair costs incurred after the original depreciable life that also has the effect of extending the useful life of the asset are capitalized and amortized over 30 months. Major vessel modifications are capitalized and amortized over the remaining life of the equipment. The company schedules vessel drydockings when it is anticipated that the work can be performed. The company's net earnings can fluctuate quarter to quarter due to the timing of scheduled drydockings.

Vessel Acquisition and Construction Programs

On April 1, 2003, the company paid \$79 million in cash to ENSCO International Incorporated to purchase its 27-vessel Gulf of Mexico-based marine fleet. The cash sale was funded by a newly-placed \$100 million term loan agreement with a group of banks that expires on July 31, 2004. The loan bears interest, at the company's option, at prime or Federal Funds rates plus .5% or Eurodollar rates plus margin of .85%. The mix of vessels the company acquired consists of five anchor handling towing supply vessels, six stretched 220-foot platform supply vessels and 16 supply vessels. In conjunction with this acquisition, it was also agreed that, for a period of two years and subject to satisfactory performance, the company will provide to ENSCO all of its discretionary vessel requirements in the Gulf of Mexico. The day rates to be charged under the arrangement are based upon predetermined pricing criteria. The acquisition enhances the competitive posture of the company in providing anchor handling and towing-supply services in the Gulf of Mexico and better positions the company for an uptum in the domestic market.

On January 10, 2001 the company entered into agreements with three shipyards for the construction of seven large platform supply and five large anchor handling towing supply vessels. All of which are capable of working in most deepwater markets of the world. The total estimated cost for the vessels is approximately \$344.2 million, which includes shipyard commitments and other incidental costs such as spare parts, management and supervision, and outfitting costs. The new-build program was initiated in order to better serve the needs of the company's customers in the deepwater markets of the world. Four of the platform supply vessels contracts were awarded to the company's shipyard, Quality Shipyards, LLC, while the remaining eight vessels are being constructed at two shipyards in Far East Asia.

As of March 31, 2003, six of the seven large platform supply vessels have been delivered to the market for an approximate total cost of \$145.7 million. Quality Shipyards, LLC delivered the first vessel to the market during the fourth quarter of fiscal 2002 and the remaining three throughout fiscal 2003. All four platform supply vessels constructed at Quality Shipyards, LLC were built to full Jones Act compliance. A shipyard in Singapore is still constructing one platform supply vessel. The Singapore

[Table Of Contents](#)

shipyard delivered two vessels during the third quarter of fiscal 2003 and is expected to deliver the last vessel in April 2003. As of March 31, 2003, \$17 million has been expended on the remaining platform supply vessel of the total estimated \$17.4 million cost.

The five large anchor handling towing supply vessels under contract at a shipyard in Far East Asia are still under construction. Scheduled deliveries for the five vessels have been delayed. The company expects the first vessel to be delivered to the market in late calendar year 2003 while the remaining four vessels are expected to be delivered throughout calendar year 2004. The company has fixed cost contracts supported by performance bonds with the shipyard and does not anticipate any cost overruns related to these vessels. As of March 31, 2003, \$122.2 million has been expended on these five vessels of the total estimated \$181.1 million of commitments.

The company is also committed to the construction of one large, North Sea-type platform supply vessel (which is being constructed in a Brazilian shipyard) and 10 next generation supply vessels, ranging in size from 205-foot to 220-foot, for approximately \$130.2 million. The company's shipyard, Quality Shipyard, LLC, will construct three of the next generation supply vessels and two other shipyards will construct the remaining seven vessels. The 10 vessels are intermediate in size and are technically capable of working in certain deepwater markets; however, these vessels are being constructed in order to replace older supply vessels. Scheduled delivery of the 11 vessels is expected to commence in April 2003 with final delivery in May 2004. As of March 31, 2003, \$72.8 million has been expended on these vessels.

During fiscal 2002, the company announced that it was expanding its crewboat fleet. The company purchased 10 existing crewboats and assumed four new-build contracts from Crewboats, Inc., a privately held, leading independent provider of crewboat services in the Gulf of Mexico, for approximately \$59.9 million. Two of the new-build vessels were delivered to the market during fiscal 2003 for an approximate total cost of \$10.4 million. Scheduled delivery for the remaining two crewboats is expected to commence in June 2003 with final delivery in September 2003. No amounts have been expended on the remaining two crewboats of the total \$10.4 million commitment cost, as the individual vessels' purchase prices are due upon delivery of the respective vessels.

Also in fiscal 2002, the company committed \$25.4 million to the construction of four, 175-foot, state-of-the-art, fast, crew/supply boats that blend the speed of a crewboat with the capabilities of a supply vessel. The first 175-foot crewboat was delivered to the market during the fourth quarter of fiscal 2003 for an approximate total cost of \$6.4 million. The vessel was constructed at a U.S. shipyard that is currently constructing the remaining three vessels. Scheduled delivery for the three vessels is expected to commence in April 2003, with final delivery in September 2003. As of March 31, 2003, \$1.4 million has been expended on the remaining three vessels.

During fiscal 2003, the company entered into an agreement with a shipyard in Holland to construct three water jet crewboats for an approximate cost of \$2.7 million. Scheduled delivery for the three vessels is expected to begin in August 2003 with final delivery in October 2003. As of March 31, 2003, \$.7 million has been expended on these vessels.

The table below summarizes the number of vessels that have been added to the company's fleet during fiscal 2003 and 2002 by vessel class and vessel type:

Vessel class and type	Number of vessels added	
	2003	2002
Deepwater vessels:		
Anchor handling towing supply	—	2
Platform supply vessels	7	4
Replacement Fleet:		
Platform supply vessels	3	—
Crew/utility:		
Crewboats	3	14
Total number of vessels added to the fleet	13	20

[Table Of Contents](#)

The table below summarizes the various vessel commitments by vessel class and type as of March 31, 2003:

Vessel class and type	U. S. Built			International Built		
	Number of Vessels	Total Cost Commitment	Expended Through 3/31/03	Number of Vessels	Total Cost Commitment	Expended Through 3/31/03
	(In thousands)			(In thousands)		
Deepwater vessels:						
Anchor handling towing supply	—	—	—	5	\$ 181,135	\$ 122,205
Platform supply vessels	—	—	—	2	\$ 34,382	\$ 27,072
Replacement Fleet:						
Platform supply vessels	10	\$ 113,163	\$ 62,766	—	—	—
Crewboats:						
Crewboats—162-foot	2	\$ 10,360	—	—	—	—
Crewboats—175-foot	3	\$ 19,008	\$ 1,373	—	—	—
Crewboats—Water Jet	—	—	—	3	\$ 2,732	\$ 672
Totals	15	\$ 142,531	\$ 64,139	10	\$ 218,249	\$ 149,949

To date, the company has financed its vessel commitment programs from its current cash balances, its operating cash flow and its revolving credit facility. Of the total \$360.8 million of capital commitments for vessels currently under construction the company has expended \$214.1 million as of March 31, 2003.

While the company has not formally committed to any future new build vessel contracts at the present time, other than what has been discussed above, the company anticipates over the next several years continuing its vessel building program in order to replace its aging vessels. The majority of the company's supply and towing supply vessels were constructed between 1976 and 1983. As such, most of this vessel class exceeds 20 years of age and will ultimately need to be replaced. In addition to age, market conditions will also help determine when a vessel is no longer economically viable. The company anticipates using future operating cash flows and borrowing capacities to fund significant capital expenditures over the next several years.

In addition to the vessel deliveries discussed above, during fiscal 2003, the company took delivery of two large deepwater platform supply vessels (one constructed in Brazil and the other in Norway) for approximately \$36.8 million and took delivery of three 220-foot next generation platform supply vessels for approximately \$36.6 million. The company also entered into an agreement to bareboat charter one large platform supply vessel.

In fiscal 2002, the company took delivery of three large platform supply vessels built in Norway for a total cost of \$46.6 million. During the first quarter of fiscal 2002, the company finalized the cash purchase of two anchor handling towing supply vessels for \$48 million. The three large platform supply vessels and two anchor handling towing supply vessels are specifically designed and equipped for deepwater work. Throughout fiscal 2002 the company constructed and took delivery of four large traditional crewboats that were built at U.S. shipyards for approximately \$14.2 million.

During fiscal 2001, the company purchased eight vessels from The Sanko Steamship Co., Ltd. for \$160 million in cash. Four of the vessels are large anchor handling towing supply vessels and four are large North Sea-type platform supply vessels. In addition, throughout fiscal 2001, the company purchased three large platform supply vessels for approximately \$53.8 million.

Vessel Dispositions

During fiscal 2003, the company sold one deepwater platform supply vessel and one crewboat to one of its 49%-owned unconsolidated joint ventures for \$18.8 million. The company financed the \$16 million sale of the deepwater vessel, while the joint venture paid \$2.8 million cash for the crewboat. The transactions resulted in a fiscal 2003 gain on sales of assets of \$1.1 million and increased the investments in, at equity, and advances to unconsolidated companies' account by \$14.9 million.

During fiscal 2002, the company sold its 49% holding in its consolidated marine joint venture, Maritide Offshore Oil Services Company S.A.E., for approximately \$3.5 million, resulting in a \$1.6 million gain. As a result of the sale, the international towing-supply/supply vessel count decreased by five vessels.

[Table Of Contents](#)

During fiscal 2001, the company sold four vessels (two offshore tugs and two crewboats) to one of its 49%-owned unconsolidated joint ventures for \$17 million, of which \$9 million was financed by the company. The transaction resulted in a gain on asset sale of \$1 million. Also during fiscal 2001, the company sold its 40% holding in its unconsolidated marine joint venture, National Marine Service (NMS), for approximately \$31 million, resulting in a \$16.8 million gain. The after-tax effect of the gain on the sale was \$10.9 million, or \$.19 per share. As a result of the sale, the joint venture vessel count decreased by 24 vessels.

During the same period the company was building new vessels, the company sold and/or scrapped 121 vessels between April 2000 and March 2003. The mix of vessels disposed of includes 58 towing-supply/supply vessels, 29 crew/utility vessels, 15 offshore tugs and 19 other vessels, primarily barges. Included in the vessel disposition count are the NMS and Maritide vessels discussed above.

Vessels Withdrawn from Service

The company withdraws from active service older, little-used vessels at which time the vessels are removed from the utilization statistics. Vessel utilization rates are a function of vessel days worked and vessel days available for active vessels only. The company did not withdraw any vessel from active service during fiscal 2003. During fiscal 2002, the company withdrew 20 vessels, primarily towing supply/supply vessels, from active service. Eight vessels were withdrawn from active service during fiscal 2001. Vessels that are withdrawn from active service are intended to be sold. The company continues to dispose of its older vessels out of the active fleet and the withdrawn fleet that are not marketable due to obsolescence or are economically prohibitive to operate due to high repair costs.

General Market Conditions and Results of Operations

Offshore service vessels provide a diverse range of services and equipment to the energy industry. Fleet size, utilization and vessel day rates primarily determine the amount of revenues and operating profit because operating costs and depreciation do not change proportionally when revenue changes. Operating costs primarily consist of crew costs; repair and maintenance; insurance; fuel, lube oil and supplies. Fleet size and utilization are the major factors that affect crew costs. The timing and amount of repair and maintenance costs are influenced by customer demands, vessel age and scheduled drydockings to satisfy safety and inspection requirements mandated by regulatory agencies. Whenever possible, vessel drydockings are done during seasonally slow periods to minimize any impact on vessel operations and are only done if economically justified, given the vessel's age and physical condition. The following table compares revenues and operating expenses (excluding general and administrative expenses and depreciation expense) for the company's vessel fleet for the years ended March 31. Vessel revenues and operating costs relate to vessels owned and operated by the company, while other marine services relate to third-party activities of the company's shipyards, brokered vessels and other miscellaneous marine-related activities.

(In thousands)	2003	2002	2001
Revenues (A):			
Vessel revenues:			
United States	\$103,368	203,648	197,660
International	521,187	511,713	386,271
	624,555	715,361	583,931
Other marine revenues	11,268	13,668	32,748
Total revenues	\$635,823	729,029	616,679
Operating costs:			
Vessel operating costs:			
Crew costs	\$195,404	204,081	183,502
Repair and maintenance	74,360	83,863	100,087
Insurance	20,743	21,094	20,035
Fuel, lube and supplies	31,099	31,712	29,140
Other	41,556	42,184	31,420
	363,162	382,934	364,184
Costs of other marine revenues	6,649	9,174	25,096
Total operating costs	\$369,811	392,108	389,280

(A) For fiscal 2003, 2002 and 2001, one customer accounted for 13%, 10% and 11%, respectively, of revenues.

Table Of Contents

Marine operating profit and other components of earnings before income taxes for the years ended March 31 consists of the following:

(In thousands)	2003	2002	2001
Vessel activity:			
United States	\$ (15,380)	56,128	26,812
International	138,945	145,412	65,241
	123,565	201,540	92,053
Gain on sales of assets	6,162	6,380	22,750
Other marine services	4,168	4,042	7,137
Operating profit	133,895	211,962	121,940
Other income	6,343	6,313	19,701
Corporate expenses	(12,116)	(12,691)	(13,026)
Interest and other debt costs	(412)	(833)	(1,195)
Earnings before income taxes	\$ 127,710	204,751	127,420

As a result of the uncertainty of a certain customer to make payment of vessel charter hire, the company has deferred the recognition of approximately \$5.6 million of billings as of March 31, 2003, \$4.9 million of billings as of March 31, 2002 and \$7.0 million of billings as of March 31, 2001 which would otherwise have been recognized as revenue. The company will recognize the amounts as revenue as cash is collected or at such time as the uncertainty has been reduced.

Comparison of Fiscal 2003 to Fiscal 2002

Fiscal 2003 results of operations decreased as compared to fiscal 2002 due to a weak natural gas market in the U.S. Gulf of Mexico. The company's fiscal 2003 domestic results of operations were negatively affected by the retrenchment in development and capital expenditures in the U.S. Gulf of Mexico that began in fiscal 2002 and which is discussed in detail in the Comparison of Fiscal 2002 to Fiscal 2001 section below. Market conditions improved during fiscal 2003 as natural gas supplies declined due to a general reduction in drilling activity, drilling interruptions caused by Tropical Storm Isidore and Hurricane Lili in the Gulf of Mexico, and as a result of increased demand due to severe winter weather. All of these factors contributed to higher natural gas prices, but did not result in increased gas drilling in the Gulf of Mexico market. Although the reasons for the continuing low level of drilling and exploration activity are not fully known, the company believes that general uncertain economic conditions and concerns about the stability of natural gas prices are significant contributing factors. Nevertheless, current inventory levels for the resource continue to be tight and commodity prices continue to be at strong levels, which are positive indicators for increased drilling activity in the future. The company's fiscal 2003 international results of operations benefited from attractive crude oil commodity prices and high consumer demand. Average day rates and utilization for the international vessel fleet remained relatively stable throughout fiscal 2003 although political unrest in Venezuela during the latter part of fiscal 2003 did have a slight negative impact on revenues. International vessel demand, which is primarily driven by crude oil production, is expected to remain steady as international exploration and production is expected to remain firm. The U.S. war with Iraq in the Middle East could obviously have an impact on future world oil supply and demand, but thus far has not had a significant impact on the company's revenues.

Domestic-based vessel revenues decreased 49% as compared to fiscal 2002 due to lower utilization and average day rates. The company's average day rates have not deteriorated to the low levels experienced during the last industry downturn due to management's strategic decision to attempt to maintain high day rates at the expense of lower utilization. As a result of this decision, the vessel utilization rates in the U.S. Gulf of Mexico are the lowest the company has experienced in over a decade. Utilization and average day rates for the towing supply/supply vessels, the company's major income producing vessel class in the domestic market, decreased approximately 58% and 14%, respectively as compared to fiscal 2002. At March 31, 2002, the towing-supply/supply vessels experienced approximately 16% utilization and average day rates of approximately \$5,940.

International-based vessel revenues increased a modest 2% as compared to fiscal 2002 due to higher average day rates and an increase in the number of active vessels operating internationally. A two month long general strike that shut down oil production in Venezuela that began in early December 2002 and lasted through early February 2003 which was led by the workers of the Venezuelan government-

Table Of Contents

owned company PDVSA had a slight negative impact on international revenues. In December 2002, the company had 11 vessels contracted with PDVSA. The majority of the vessels ceased operations during the work stoppage, but continued to earn revenue on a per day basis as stipulated in the charter hire agreements or as agreed to by PDVSA representatives. Venezuelan operations resulted in approximately \$3.5 million of revenue during the strike. Total accounts receivable from PDVSA at March 31, 2003 were approximately \$5.7 million.

In November 2000, the company purchased seven deepwater vessels that are currently fulfilling bareboat contractual obligations that existed at the time the vessels were purchased. The bareboat charter agreements on six of the vessels will expire at various times over the next year, although in one of the agreements, the charter party has the option to extend the contract for an additional two years. The remaining vessel has a contractual obligation that expires within four years. In a bareboat charter agreement, the bareboat charterer leases a vessel for a pre-arranged fee and is able to market the vessel and is also responsible for providing the crew and all other operating costs related to the vessel. For the vessels that the company has under bareboat contracts, only revenue and depreciation expense are recorded related to the vessels' activity. As the company incurs no operating costs related to the vessels, the related bareboat day rates are less than comparable vessels operating under normal charter hire arrangements. For fiscal year ended March 31, 2003, the seven bareboat chartered deepwater vessels experienced 100% utilization and average day rates of approximately \$6,500. The international-based deepwater vessel fleet, excluding the bareboat chartered vessels discussed above, experienced approximately 83% utilization and average day rates of approximately \$13,500 for the fiscal year ended March 31, 2003.

Operating profit for fiscal 2003 decreased 37% as compared to fiscal 2002 primarily as a result of decreases in domestic-based vessel revenues. Domestic operating profit decreased most dramatically due to a weak natural gas market in the U.S. Gulf of Mexico. Domestic-based operating costs decreased 26% during fiscal 2003 due to general cost cutting measures that were implemented which resulted in a reduction of domestic crew and a decrease in the number of vessel drydockings performed. In addition, the reduction in business activity reduced fuel, lube and supplies costs and other vessel operating cost. During fiscal 2003, international-based operating profit decreased 4% as compared to fiscal 2002 due to a slight decrease in utilization, the negative effects of the two month long work stoppage in Venezuelan operations, and also due to a slight increase in international operating costs, primarily crew costs and fuel, lube and supply costs. Fiscal 2003's gain on sales of assets was lower as compared to fiscal 2002 due to fewer vessels sales. Fiscal 2002 gain on sales of assets included a \$3.3 million writedown in the carrying value of certain vessels. The writedowns were a result of reviewing the recoverability of the carrying values of the vessels that were withdrawn from active service.

Comparison of Fiscal 2002 to Fiscal 2001

Fiscal 2002 results of operations surpassed those achieved in fiscal 2001 due to strengthened world crude oil commodity prices. Throughout fiscal 2002, OPEC adjusted crude oil production levels and successfully negotiated with several non-OPEC oil producing countries to adjust their respective production levels in order to help stabilize and maintain crude oil commodity prices at levels that would sustain growth. The higher crude oil prices resulted in international offshore drilling, exploration and production companies increasing their capital spending budgets. International vessel demand, which is primarily driven by crude oil production, increased throughout fiscal 2002 as a result of the improved international market conditions. Domestic vessel demand, which is primarily driven by natural gas production, declined steadily throughout fiscal 2002 as exploration and production companies operating in the U.S. Gulf of Mexico reduced their capital investments in the Gulf. The high offshore rig fleet utilization rates achieved during fiscal 2001 began to steadily decrease during the second quarter of fiscal 2002 and continued to decrease throughout the remainder of fiscal 2002 on the news that inventory levels for natural gas were increasing as a result of unseasonably moderate weather and economic slowdowns in the United States and globally. The company's depressed vessel utilization rates in the U.S. Gulf of Mexico were the lowest the company has experienced in well over a decade.

During fiscal 2002, international-based vessel revenues increased 32% as compared to fiscal 2001 due to higher average day rates, utilization, and an increase in the number of active vessels in the international-based fleet. The number of active vessels in the international fleet increased as a result of an

[Table Of Contents](#)

aggressive deepwater vessel acquisition and construction program that began during fiscal 2001. Seventeen deepwater vessels have been added to the company's fleet since the beginning of fiscal 2001, seven of which were fulfilling bareboat contractual obligations that existed at the time the vessels were purchased. For fiscal years ended March 31, 2002 and 2001 the seven bareboat chartered deepwater vessels experienced 100% utilization and average day rates of \$6,150. The international-based deepwater vessel fleet, excluding the bareboat chartered vessels discussed above, experienced approximately 89% utilization and average day rates of approximately \$13,300 for the year ended March 31, 2002.

Fiscal 2002 domestic-based vessel revenues increased slightly as compared to fiscal 2001 as a result of higher average day rates. Average day rates increased due to strong demand for the company's vessels in the U.S. Gulf of Mexico during the first quarter of fiscal 2002 that continued from fiscal 2001. However, during the second quarter of fiscal 2002, vessel demand began to decrease and continued to decrease throughout the remainder of the fiscal year as offshore drilling and exploration in the U.S. Gulf of Mexico waned. The company was able to achieve solid average day rates throughout fiscal 2002, although it did experience deterioration in vessel utilization throughout fiscal 2002. At March 31, 2002, the towing-supply/supply vessels, the company's largest major income producing asset in the U.S. Gulf of Mexico, experienced approximately 25% utilization and average day rates of approximately \$6,500.

Operating profit for fiscal 2002 increased 74% as compared to fiscal 2001 as a result of increases in vessel revenues. Crew costs increased during fiscal 2002 as a result of better market conditions and additional vessels in the international areas of operations. Repair and maintenance costs decreased from the fiscal 2001 level as fiscal 2001 included an unusually high number of drydockings resulting from an intense drydocking program the company initiated in order to ready its equipment for an expected improvement in demand for its vessels. Included in fiscal 2002's gain on sales of assets is a \$1.6 million gain from the sale of the company's 49% holding in its consolidated marine joint venture, Maritide Offshore Oil Services Company S.A.E., for approximately \$3.5 million and a \$3.3 million writedown in the carrying values of certain vessels that were withdrawn from active service and held for sale. The writedown is a result of reviewing the recoverability of the carrying values of the vessels that were withdrawn from active service. Fiscal year 2001's gain on sales of assets included a \$16.8 million gain on the sale of the company's 40% holding in its unconsolidated marine joint venture, National Marine Service. Fiscal 2002 other income decreased as compared to fiscal 2001 because the company had less excess cash invested in short-term, interest-bearing securities than the previous fiscal year as a result of the use of the funds for vessel acquisition and new-build programs.

Vessel Class Statistics

Vessel utilization is determined primarily by market conditions and to a lesser extent by drydocking requirements. Vessel day rates are determined by the demand created through the level of offshore exploration, development and production spending by energy companies relative to the supply of offshore service vessels. Suitability of equipment and the degree of service provided also influence vessel day rates. The following tables compare day-based utilization percentages and average day rates by vessel class and in total for each of the quarters in the years ended March 31:

[Table Of Contents](#)**UTILIZATION:**

Fiscal Year 2003

	First	Second	Third	Fourth	Year
Domestic-based fleet:					
Deepwater vessels	91.0%	78.4	95.3	90.9	89.1
Towing-supply/supply	22.8	20.2	24.0	18.2	21.3
Crew/utility	66.8	66.7	78.4	71.3	70.8
Offshore tugs	24.2	21.8	45.3	23.2	28.5
Total	32.5%	30.9	39.9	31.8	33.8
International-based fleet:					
Deepwater vessels	87.3%	89.3	87.7	85.8	87.5
Towing-supply/supply	79.9	78.1	79.3	76.4	78.5
Crew/utility	81.5	82.2	81.0	78.7	80.6
Offshore tugs	65.7	74.6	60.6	62.7	65.9
Other	56.0	55.7	50.5	51.5	53.5
Total	77.2%	77.5	76.0	74.2	76.2
Worldwide fleet:					
Deepwater vessels	87.6%	87.8	88.8	86.6	87.7
Towing-supply/supply	59.5	57.9	60.0	56.1	58.4
Crew/utility	76.1	76.6	80.1	76.0	77.1
Offshore tugs	48.9	53.6	54.7	47.7	51.2
Other	56.0	55.7	50.5	51.5	53.5
Total	62.3%	62.3	64.2	60.4	62.3

Fiscal Year 2002

	First	Second	Third	Fourth	Year
Domestic-based fleet:					
Deepwater vessels	100.0%	100.0	100.0	100.0	100.0
Towing-supply/supply	71.5	59.3	40.2	27.8	50.4
Crew/utility	91.4	93.2	84.9	70.3	84.0
Offshore tugs	38.1	42.6	48.8	31.1	40.2
Other	22.0	47.7	57.2	57.4	43.5
Total	66.7%	61.1	51.8	37.9	54.6
International-based fleet:					
Deepwater vessels	95.6%	92.5	90.8	89.2	92.0
Towing-supply/supply	74.5	77.3	82.4	81.3	78.8
Crew/utility	88.7	84.0	90.2	86.0	87.2
Offshore tugs	70.9	70.1	75.9	70.4	71.8
Other	46.9	56.0	67.0	67.1	58.7
Total	75.2%	76.8	82.3	80.3	78.6
Worldwide fleet:					
Deepwater vessels	96.0%	93.1	91.5	90.0	92.6
Towing-supply/supply	73.4	70.7	67.2	62.4	68.6
Crew/utility	89.6	86.9	88.1	79.9	86.1
Offshore tugs	56.9	58.4	64.4	53.5	58.3
Other	41.5	54.0	64.4	66.7	55.7
Total	72.3%	71.4	71.5	65.9	70.3

Fiscal Year 2001

	First	Second	Third	Fourth	Year
Domestic-based fleet:					
Deepwater vessels	98.5%	100.0	88.7	98.9	96.7
Towing-supply/supply	56.1	63.3	63.4	68.1	62.7
Crew/utility	86.9	89.2	93.0	87.5	89.1
Offshore tugs	33.5	40.6	32.4	37.1	35.9
Other	30.7	23.9	11.2	27.2	23.2
Total	56.0%	61.7	59.9	63.7	60.3
International-based fleet:					
Deepwater vessels	70.3%	81.4	79.0	93.8	84.1
Towing-supply/supply	76.9	75.4	80.6	76.6	77.4
Crew/utility	93.9	91.5	95.3	88.5	92.3
Offshore tugs	66.8	67.3	72.8	64.5	67.8
Other	42.4	47.0	49.7	41.1	45.1
Total	74.5%	74.1	78.8	74.8	75.5
Worldwide fleet:					
Deepwater vessels	78.8%	86.6	80.5	94.3	86.4
Towing-supply/supply	68.7	70.8	74.0	73.5	71.7
Crew/utility	91.5	90.7	94.5	88.2	91.2
Offshore tugs	51.9	55.0	54.2	52.2	53.3
Other	39.9	42.0	41.1	37.8	40.3

Total	67.5%	69.4	71.8	70.8	69.9
-------	-------	------	------	------	------

[Table Of Contents](#)**AVERAGE DAY RATES:**

Fiscal Year 2003	First	Second	Third	Fourth	Year
Domestic-based fleet:					
Deepwater vessels	\$13,506	12,745	13,081	13,867	13,332
Towing-supply/supply	6,116	6,059	5,802	5,979	5,984
Crew/utility	2,734	2,665	2,567	2,602	2,638
Offshore tugs	7,485	6,415	6,355	7,532	6,839
Total	\$ 5,232	5,082	5,132	5,357	5,196
International-based fleet:					
Deepwater vessels	\$11,540	11,446	11,406	10,887	11,308
Towing-supply/supply	6,471	6,271	6,314	6,347	6,363
Crew/utility	2,916	2,843	2,764	2,878	2,833
Offshore tugs	4,451	4,578	3,844	4,013	4,243
Other	854	907	1,052	825	912
Total	\$ 5,744	5,629	5,640	5,668	5,670
Worldwide fleet:					
Deepwater vessels	\$11,722	11,602	11,670	11,370	11,582
Towing-supply/supply	6,423	6,245	6,243	6,306	6,314
Crew/utility	2,857	2,787	2,695	2,785	2,769
Offshore tugs	5,060	4,877	4,653	4,667	4,812
Other	854	907	1,052	825	912
Total	\$ 5,655	5,540	5,537	5,614	5,586
Fiscal Year 2002	First	Second	Third	Fourth	Year
Domestic-based fleet:					
Deepwater vessels	\$11,756	11,774	11,761	12,164	11,864
Towing-supply/supply	7,181	7,042	6,631	6,552	6,951
Crew/utility	2,838	2,948	3,089	2,885	2,951
Offshore tugs	8,160	7,467	6,131	7,625	7,259
Other	1,427	1,467	1,490	1,822	1,490
Total	\$ 6,437	6,088	5,255	5,491	5,895
International-based fleet:					
Deepwater vessels	\$ 9,936	10,778	11,763	11,408	10,975
Towing-supply/supply	5,774	5,971	6,140	6,447	6,085
Crew/utility	2,385	2,479	2,622	2,757	2,561
Offshore tugs	4,799	4,682	4,566	4,502	4,639
Other	953	1,070	1,148	1,558	1,195
Total	\$ 5,163	5,346	5,496	5,709	5,430
Worldwide fleet:					
Deepwater vessels	\$10,091	10,864	11,764	11,472	11,050
Towing-supply/supply	6,276	6,299	6,245	6,464	6,316
Crew/utility	2,537	2,640	2,803	2,800	2,699
Offshore tugs	5,765	5,541	5,073	5,285	5,410
Other	1,007	1,155	1,227	1,566	1,242
Total	\$ 5,568	5,565	5,434	5,667	5,555
Fiscal Year 2001	First	Second	Third	Fourth	Year
Domestic-based fleet:					
Deepwater vessels	\$11,622	11,643	11,530	11,760	11,634
Towing-supply/supply	3,659	4,248	5,897	6,717	5,172
Crew/utility	2,046	2,197	2,544	2,724	2,373
Offshore tugs	6,235	5,927	6,298	6,902	6,325
Other	1,305	1,643	1,434	2,071	1,630
Total	\$ 3,735	4,169	5,306	5,967	4,803
International-based fleet:					
Deepwater vessels	\$ 7,413	8,954	8,633	8,270	8,366
Towing-supply/supply	4,985	4,981	5,095	5,482	5,137
Crew/utility	2,237	2,246	2,244	2,334	2,264
Offshore tugs	3,814	4,224	4,226	4,662	4,223
Other	1,624	1,318	1,362	974	1,335
Total	\$ 4,173	4,245	4,391	4,841	4,415
Worldwide fleet:					
Deepwater vessels	\$ 8,992	9,827	9,148	8,619	9,040
Towing-supply/supply	4,558	4,727	5,361	5,908	5,149
Crew/utility	2,173	2,229	2,346	2,467	2,301
Offshore tugs	4,516	4,804	4,796	5,378	4,867
Other	1,572	1,357	1,366	1,163	1,373

Total	\$ 4,035	4,220	4,674	5,202	4,539
-------	----------	-------	-------	-------	-------

[Table Of Contents](#)

The average age of the company's owned or chartered vessel fleet is approximately 20 years. The average age for the 54 vessels that the company acquired or constructed in the last three years, which was discussed in the "Vessel Acquisition and Construction Programs" section, is three years. The remaining 435 vessels have an average age of 22 years. The following table compares the average number of vessels by class and geographic distribution during the years ended March 31 and the actual March 31, 2003 vessel count:

	Actual Vessel	Average Number		
	Count at March 31,	of Vessels During Year Ended March 31,		
	2003	2003	2002	2001
Domestic-based fleet:				
Deepwater vessels	6	4	2	2
Towing-supply/supply	100	101	106	118
Crew/utility	30	32	29	26
Offshore tugs	24	25	29	32
Other	—	—	7	9
Total	160	162	173	187
International-based fleet:				
Deepwater vessels	28	26	24	12
Towing-supply/supply	186	185	188	188
Crew/utility	56	56	51	48
Offshore tugs	39	39	39	38
Other	20	24	26	31
Total	329	330	328	317
Owned or chartered vessels included in marine revenues	489	492	501	504
Vessels withdrawn from active service	26	34	37	44
Joint-venture and other	30	29	28	35
Total	545	555	566	583

During fiscal 2003, the company took delivery of seven large deepwater platform supply vessels, three 220-foot platform supply vessels, three crewboats and entered into an agreement to bareboat charter one large platform supply vessel. Excluding the two vessels sold to one of the company's 49%-owned unconsolidated joint venture, the company sold and/or scrapped 24 vessels during fiscal 2003. The mix of vessels disposed of includes 12 towing-supply/supply vessels, three offshore tugs, five crew/utility vessels and four other type vessels.

Included in the domestic-based crew/utility vessel count for fiscal 2002 are 10 crewboat vessels purchased in September 2001. Three of the four large, traditional crewboats that the company constructed and took delivery of at various times throughout fiscal 2002 are included in the international-based crew/utility vessel count.

During fiscal 2002, the company took delivery of four large platform supply vessels and finalized the purchase of two anchor handling towing supply vessels. During fiscal 2001, the company purchased four anchor handling towing supply vessels and four large platform supply vessels from the Sanko Steamship Co., Ltd. and also purchased an additional three large platform supply vessels.

During fiscal 2002, the company sold its 49% holding in its consolidated marine joint venture, Maritide Offshore Oil Services Company S.A.E. As a result of the sale, the international towing-supply/supply vessel count decreased by five vessels. Also, during fiscal 2002, the company withdrew from active service 20 older, little-used vessels, primarily towing-supply/supply vessels. Nine vessels were withdrawn from the domestic market and 11 were withdrawn from the international market. The company sold and/or scrapped 31 vessels throughout fiscal 2002. The mix of vessels disposed of includes nine towing-supply/supply vessels, four crew/utility vessels, seven offshore tugs and 11 other vessels, primarily barges.

During fiscal 2001, the company sold its 40% holding in its unconsolidated marine joint venture, National Marine Service. As a result of the sale, the joint venture vessel count decreased by 24 vessels. Also during fiscal 2001, the company sold four vessels (two offshore tugs and two crew boats) to its 40%-owned unconsolidated joint venture, Sonatide Marine, Ltd. The company withdrew from active service eight vessels during fiscal 2001. In addition, the company sold and/or scrapped 37 vessels throughout

[Table Of Contents](#)

fiscal 2001. The mix of vessels disposed of includes 14 towing-supply/supply vessels, 16 crew/utility vessels, three offshore tugs and four other vessels, primarily barges.

General and Administrative Expenses

Consolidated general and administrative expenses for the years ended March 31 consists of the following components:

(In thousands)	2003	2002	2001
Personnel	\$38,799	39,880	40,214
Office and property	12,146	11,893	10,983
Sales and marketing	4,521	4,809	4,793
Professional service	5,420	5,380	4,262
Other	4,520	4,889	5,253
	\$65,406	66,851	65,505

General and administrative expenses for fiscal 2003 decreased as compared to fiscal 2002 due to the retrenchment in the domestic natural gas market. Fiscal 2002 general and administrative costs increased 2% as compared to fiscal 2001 due to an improving business environment in the international market.

Liquidity, Capital Resources and Other Matters

The company's current ratio, level of working capital and amount of cash flows from operations for any year are directly related to fleet activity and vessel day rates. Variations from year-to-year in these items are primarily the result of market conditions. As a result of recent vessel purchases and cash expenditures for vessel construction programs, the company's cash balances at March 31, 2003 and 2002 are at considerably reduced levels compared to March 31, 2001. Cash from operations, in combination with an available line of credit, provide the company, in management's opinion, with adequate resources to satisfy its current financing requirements. At March 31, 2003, \$61 million of the company's \$200 million revolving line of credit was available for future financing needs. Continued payment of dividends, currently at \$.15 per quarter per common share, is subject to declaration by the Board of Directors.

Net cash provided by operating activities for any fiscal year will fluctuate according to the level of business activity for the applicable year. Fiscal year 2003 net cash provided by operating activities was slightly higher than the previous fiscal year due primarily to an increase in accounts receivable collections.

Investing activities for fiscal 2003 used approximately \$255.9 million of cash. Proceeds from the sale of assets totaling \$13.7 million decreased as compared to fiscal 2002 due to fewer vessel sales. Sale proceeds were offset by additions to properties and equipment totaling \$269.6 million which was comprised of \$238.3 million for the construction of offshore marine vessels, \$30 million in capitalized repairs, maintenance and vessel enhancements, and \$1.3 million in other properties and equipment purchases. Additions to properties and equipment were lower in fiscal 2003 as compared to fiscal 2002 primarily due to fewer vessel acquisitions and less capital spending on vessels under construction during the current fiscal year as disclosed in the "Vessel Acquisition and Construction Programs" section of Item 7.

Investing activities for fiscal 2002 used approximately \$300.2 million of cash. Proceeds from the sale of assets totaling \$17.5 million decreased as compared to fiscal 2001 due to fewer vessels sales. Sale proceeds were offset by additions to properties and equipment totaling \$317.9 million which was comprised of \$300.7 million for the construction of offshore marine vessels and the acquisition of two deepwater anchor handling towing supply vessels and 11 large crewboats, and \$17.2 million in capitalized repairs and maintenance. Additions to properties and equipment were higher in fiscal 2002 as compared to fiscal 2001 primarily because of the continuation in capital spending for various vessel construction programs and due to the purchase of several crewboat vessels.

Investing activities for fiscal 2001 used approximately \$258.9 million of cash. Proceeds from the sale of assets totaling \$46.6 million decreased as compared to fiscal 2000 primarily due to fewer vessels being sold. Included in fiscal 2001 proceeds on the sale of assets is approximately \$31 million from the sale of the company's 40% interest in its unconsolidated marine joint venture company, National Marine Service, and \$15.6 million from the sale and/or scrapping of 37 vessels during the year. Sale proceeds were offset by

[Table Of Contents](#)

additions to properties and equipment totaling \$302.8 million which was comprised of \$286.4 million for the construction of offshore marine vessels and the acquisition of 11 vessels and \$13.6 million of capitalized repairs and maintenance.

Fiscal 2003 financing activities provided \$59.8 million of cash, which included \$110 million of credit facility borrowings that were offset by repayment of debt of \$25 million. The company used its credit facility borrowings to help finance the company's various vessel construction programs and vessel acquisitions as disclosed in the "Vessel Acquisition and Construction Programs" section of Item 7. The company also used \$33.9 million of cash for the payment of quarterly common stock dividends of \$.60 per share.

Fiscal 2002 financing activities provided \$22.6 million of cash, which included \$74 million of credit facility borrowings that were offset by repayments of debt of \$20 million. Borrowings were used to help finance the company's various vessel construction programs and vessel acquisitions. The company also used \$33.7 million of cash for the payment of quarterly common stock dividends of \$.60 per share. Fiscal 2001 financing activities used \$26 million of cash primarily for payment of quarterly common stock dividends.

Interest and debt costs incurred, net of interest capitalized, for fiscal 2003, 2002 and 2001 was approximately \$.4 million, \$.8 million and \$1.2 million, respectively. Interest costs capitalized during fiscal 2003 and 2002 was approximately \$2.8 million and \$1 million, respectively. No interest costs were capitalized during fiscal 2001.

While the company has not formally committed to any future new build vessel contracts at the present time, other than what has been discussed in the "Vessel Acquisition and Construction Programs" section of Item 7, the company anticipates over the next several years continuing its vessel building program in order to replace its aging vessels. The majority of the company's supply and towing supply vessels were constructed between 1976 and 1983. As such, most of this vessel class exceeds 20 years of age and will ultimately need to be replaced. In addition to age, market conditions will also help determine when a vessel is no longer economically viable. The company anticipates using future operating cash flows and borrowing capacities to fund significant capital expenditures over the next several years.

During the ongoing examinations of the company's income tax returns covering fiscal years 1999 and 2000, the Internal Revenue Service (IRS) has informed the company that it intends to raise certain issues concerning the depreciation methods historically utilized by the company and the entire offshore marine support industry. The IRS position, if ultimately proposed and sustained, could result in additional income tax due approximating \$28.5 million related to fiscal years 1999 and 2000. Additionally, if the IRS were also to successfully propose a second adjustment covering the cumulative effect of such a depreciation method change, then a further additional income tax of \$25.5 million could also be due related to fiscal years prior to 1999.

Such additional taxes due, if any, would result in a reclassification of a previously recorded non-current deferred income tax liability to a current income tax payable. Other than a charge for interest related to amounts due, if any, this issue would have no effect on the company's statement of earnings. The company intends to vigorously contest any audit deficiency when issued by the IRS and believes that any final outcome of this controversy will not have a material adverse effect on its financial position or results of operations.

[Table Of Contents](#)**Contractual Obligations**

The following table summarizes the company's consolidated contractual obligations at March 31, 2003.

(In thousands)	Payments Due by Period				
	Total	Less than One Year	1-3 Years	3-5 Years	More Than 5 Years
Contractual Obligation					
Long-Term Debt	\$139,000	—	139,000	—	—
Operating Leases (A)	\$ 15,062	3,990	6,200	2,093	2,779
Vessel Construction Obligations	\$146,963	130,427	16,536	—	—
Total	\$301,025	134,417	161,736	2,093	2,779

(A) Operating leases include only non-cancelable lease obligations greater than one year.

New Accounting Pronouncements

In April 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which supersedes previous guidance for reporting gains and losses from extinguishment of debt and accounting for leases, among other things. The portion of the statement relating to the rescission of SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt" requires that any gain or loss on extinguishment of debt that was classified as an extraordinary item that does not meet the unusual in nature and infrequent of occurrence criteria in Accounting Principles Board (APB) Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" shall be reclassified. There was no impact to the company's financial condition or results of operations with the adoption of SFAS No. 145.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" which requires that liabilities for costs associated with exit or disposal activities initiated after December 31, 2002 be recognized when incurred, rather than at the date of a commitment to an exit or disposal plan. There was no impact to the company's financial statements with the adoption of SFAS No. 146.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition to the fair value method of accounting for stock-based employee compensation, and also amends the disclosure provision of SFAS No. 123 to require disclosure in the summary of significant accounting policies the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. The disclosure provision is required for all companies with stock-based employee compensation, regardless of whether the company utilizes the fair method of accounting described in SFAS No. 123 or the intrinsic value method described in APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 148's amendment of the transition and annual disclosure provisions of SFAS No. 123 are effective for fiscal years ending after December 15, 2002. The disclosure requirements for interim financial statements containing condensed consolidated financial statements are effective for interim periods beginning after December 15, 2002. The company continues to use the intrinsic value method of accounting for stock-based employee compensation described by APB Opinion No. 25; therefore, the alternate methods of transition do not apply. The company has adopted the SFAS No. 148 disclosure requirement.

Effects of Inflation

Day-to-day operating costs are generally affected by inflation. However, because the energy services industry requires specialized goods and services, general economic inflationary trends may not affect the

[Table Of Contents](#)

company's operating costs. The major impact on operating costs is the level of offshore exploration, development and production spending by energy exploration and production companies. As the spending increases, prices of goods and services used by the energy industry and the energy services industry will increase. Future increases in vessel day rates may shield the company from the inflationary effects on operating costs.

Environmental Matters

During the ordinary course of business the company's operations are subject to a wide variety of environmental laws and regulations. The company attempts to comply with these laws and regulations in order to avoid costly accidents and related environmental damage. Compliance with existing governmental regulations that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not had, nor is expected to have, a material effect on the company. The company is proactive in establishing policies and operating procedures for safeguarding the environment against any environmentally hazardous material aboard its vessels and at shore base locations. Whenever possible, hazardous materials are maintained or transferred in confined areas to ensure containment if accidents occur. In addition the company has established operating policies that are intended to increase awareness of actions that may harm the environment.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk refers to the potential losses arising from changes in interest rates, foreign currency fluctuations and exchange rates, equity prices and commodity prices including the correlation among these factors and their volatility. The company is primarily exposed to interest rate risk and foreign currency fluctuations and exchange risk.

Interest Rate Risk. Changes in interest rates may result in changes in the fair market value of the company's financial instruments, interest income and interest expense. The company's financial instruments that are exposed to interest rate risk are its cash equivalents and long-term borrowings. Due to the short duration and conservative nature of the cash equivalent investment portfolio, the company does not expect any material loss with respect to its investments. The book value for cash equivalents is considered to be representative of its fair value.

At March 31, 2003 the company had \$139 million of debt outstanding. The outstanding debt represents unsecured borrowings from the company's revolving credit facility. The fair value of this debt approximates the carrying value because the borrowings bear interest at variable market rates, which currently range from 2.03 to 2.41 percent. Monies were borrowed under the revolving credit facility to finance the company's new-build program previously disclosed. Interest expense associated with the borrowings is being capitalized. A one percentage point change in market interest rate of the company's debt at March 31, 2003 would change the company's interest costs by \$1.4 million annually.

Foreign Exchange Risk. The company's financial instruments that can be affected by foreign currency fluctuations and exchange risks consist primarily of cash and cash equivalents, trade receivables and trade payables denominated in currencies other than the U.S. dollar. The company periodically enters into spot and forward derivative financial instruments as a hedge against foreign currency denominated assets and liabilities and currency commitments.

Spot derivative financial instruments are short-term in nature and settle within two business days. The fair value approximates the carrying value due to the short-term nature of this instrument, and as a result, no gains or losses are recognized. Forward derivative financial instruments are generally longer-term in nature but generally do not exceed one year. The accounting for gains or losses on forward contracts is dependent on the nature of the risk being hedged and the effectiveness of the hedge. The company enters into derivative instruments only to the extent considered necessary to meet its risk management objectives and does not use derivative contracts for speculative purposes.

The company had no spot contracts outstanding at March 31, 2003, 2002 and 2001. The company had no derivative financial instruments outstanding at March 31, 2003 that qualified as a hedge instrument. At March 31, 2002 the company had five forward currency derivative contracts outstanding totaling

[Table Of Contents](#)

\$11.5 million. The company had one forward contract outstanding totaling \$11 million that qualified as a hedge instrument at March 31, 2001. For full disclosure on the company's derivative financial instruments see Note 9 of Notes to Consolidated Financial Statements.

Because of its significant international operations, the company is exposed to currency fluctuations and exchange risk on all contracts in foreign currencies. The company does not hedge against any foreign currency rate fluctuations associated with foreign currency contracts that arise in the normal course of business. To minimize the financial impact of these items the company attempts to contract a majority of its services in United States dollars. The company continually monitors the currency exchange risks associated with all contracts not denominated in U.S. dollar.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is included in Part IV of this report.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning directors of the company is incorporated by reference from the company's definitive proxy statement to be filed on or before July 29, 2003. For information regarding executive officers of the company, see Item 4A of this report.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is incorporated by reference from the proxy statement described in Item 10 of this report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management is incorporated by reference from the proxy statement described in Item 10 of this report.

Equity Compensation Plan Information

The following table provides information as of March 31, 2003 about equity compensation plans of the company under which shares of common stock of the company are authorized for issuance:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (A)	Weighted-average exercise price of outstanding options, warrants and rights (B)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A)) (C)
Equity compensation plans approved by shareholders	4,330,482	35.93	1,568,172(1)
Equity compensation plans not approved by shareholders	—	—	222,352(2)
Balance at March 31, 2003	4,330,482(3)	35.93	1,790,524

- (1) Includes 21,338 shares available for grant under the company's 1997 Stock Incentive Plan that could be issued as restricted stock and up to 300,000 shares that could be issued as restricted stock or other non-option award under the company's 2001 stock incentive plan.
- (2) All of such shares are issuable as restricted stock under the company's Employee Restricted Stock Plan. See the description of the employee Restricted Stock Plan included in Note 7 of Notes to Consolidated Financial Statements.
- (3) If the exercise of these outstanding options and issuance of additional common shares had occurred as of March 31, 2003, these shares would represent 7% of the then total outstanding common shares of the company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is incorporated by reference from the proxy statement described in Item 10 of this report.

ITEM 14. CONTROLS AND PROCEDURES

Within 90 days prior to the date of this report, the company evaluated, under the supervision and with the participation of the company's management, including the company's President and Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based on that evaluation, the company's President and Chief Executive Officer along with the company's Chief Financial Officer concluded that the company's disclosure controls and procedures are effective in timely alerting them to material information relating to the company (including its consolidated subsidiaries) required to be disclosed in the reports the company files with the Securities and Exchange Commission. There have been no significant changes in the company's internal controls or in other factors that could significantly affect internal controls subsequent to the date the company carried out its evaluation.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

A. Financial Statements and Schedules

The Consolidated Financial Statements and Schedule of the company listed on the accompanying Index to Financial Statements and Schedule (see page F-1) are filed as part of this report.

B. Reports on Form 8-K

1. The company filed a report on Form 8-K dated January 21, 2003. Under Item 9, the company filed as exhibits to this Form 8-K certifications, required under Section 906 of the Sarbanes-Oxley, of its chief executive officer and chief financial officer to its Quarterly Report on Form 10-Q for the period ended December 31, 2002.
2. The company's report on Form 8-K dated February 20, 2003 reports under Item 9 that the company entered into an agreement with ENSCO International Incorporated to acquire ENSCO's 27-vessel Gulf of Mexico based marine fleet. The transaction is subject to regulatory review and is expected to close in early April 2003.
3. The company's report on Form 8-K dated March 31, 2003 reports under Item 9 that the company and ENSCO International Incorporated received Hart-Scott-Rodino clearance for the closing of the sale of ENSCO's 27-vessel fleet to Tidewater and that all other conditions related to the sale were satisfied.

C. Exhibits

The index below describes each exhibit filed as a part of this report. Exhibits not incorporated by reference to a prior filing are designated by an asterisk; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

- 3(a) - Restated Certificate of Incorporation of Tidewater Inc. (filed with the Commission as Exhibit 3(a) to the company's quarterly report on Form 10-Q for the quarter ended September 30, 1993).
- 3(b) - Tidewater Inc. Bylaws (filed with the Commission as Exhibit 3(b) to the company's quarterly report on Form 10-Q for the quarter ended June 30, 1999).
- 4(a) - Restated Rights Agreement dated as of September 19, 1996 between Tidewater Inc. and The First National Bank of Boston (filed with the Commission as Exhibit 1 to Form 8-A on September 30, 1996).
- 10(a) - \$200,000,000 Revolving Credit and Term Loan Agreement dated April 26, 2001.
- 10(b) - Tidewater Inc. 1975 Incentive Program Stock Option Plan, as amended in 1990 (filed with the Commission as Exhibit 10(c) to the company's annual report on Form 10-K for the fiscal year ended March 31, 1991).
- 10(c) - Tidewater Inc. Amended and Restated 1992 Stock Option and Restricted Stock Plan dated July 27, 2000.
- 10(d) - Tidewater Inc. Second Amended and Restated Supplemental Executive Retirement Plan dated October 1, 1999 (filed with the Commission as Exhibit 10(f) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(e) - Second Amended and Restated Employees' Supplemental Savings Plan of Tidewater Inc. dated October 1, 1999 (filed with the Commission as Exhibit 10(d) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).

Table Of Contents

- 10(f) - Supplemental Health Plan for Executive Officers of Tidewater Inc. (filed with the Commission as Exhibit 10(i) to a Registration Statement on September 12, 1989, Registration No. 33-31016).
- 10(g) - Amended and Restated Deferred Compensation Plan for Outside Directors of Tidewater Inc., effective November 21, 2002 (filed with the Commission as Exhibit 10(b) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 2002).
- 10(h) - Restated Non-Qualified Pension Plan for Outside Directors of Tidewater Inc., effective October 1, 1999 (filed with the Commission as Exhibit 10(h) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(i) - Amended and Restated Change of Control Agreement dated October 1, 1999 between Tidewater and William C. O'Malley (filed with the Commission as Exhibit 10(b) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(j) - Form of Amended and Restated Change of Control Agreement dated October 1, 1999 with three executive officers of Tidewater Inc. (filed with the Commission as Exhibit 10(c) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(k) - Tidewater Inc. 1996 Annual Incentive Plan (filed with the Commission as Exhibit 10(m) to the company's annual report on Form 10-K for the fiscal year ended March 31, 1997).
- 10(l) - Employment Agreement dated September 25, 1997 between Tidewater Inc. and William C. O'Malley (filed with the Commission as Exhibit 10 to the company's report on Form 10-Q for the quarter ended September 30, 1997).
- *10(m) - \$100,000,000 Term Loan Agreement dated March 28, 2003.
- 10(n) - Amended and Restated Tidewater Inc. 1997 Stock Incentive Plan dated November 21, 2002 (filed with the Commission as Exhibit 10(a) to the company's report on Form 10-Q for the quarter ended December 31, 2002).
- 10(o) - Restated Non-Qualified Deferred Compensation Plan and Trust Agreement as Restated October 1, 1999 between Tidewater Inc. and Merrill Lynch Trust Company of America (filed with the Commission as Exhibit 10(e) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(p) - Second Restated Executives Supplemental Retirement Trust as Restated October 1, 1999 between Tidewater Inc. and Hibernia National Bank (filed with the Commission as Exhibit 10(j) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- *21 - Subsidiaries of the company.
- *23 - Consent of Independent Auditors.

SIGNATURES OF REGISTRANT

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1933, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on April 22, 2003.

TIDEWATER INC.
(Registrant)

By: /s/ Dean E. Taylor

Dean E. Taylor
President, Chief Executive Officer and Director

By: /s/ J. Keith Lousteau

J. Keith Lousteau
Executive Vice President and Chief Financial Officer

By: /s/ Joseph M. Bennett

Joseph M. Bennett
Vice President and Corporate Controller
(Principal Accounting Officer)

SIGNATURES OF DIRECTORS

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 indicated on April 22, 2003.

/s/ William C. O'Malley

William C. O'Malley
Chairman of the Board

/s/ Paul W. Murrill

Paul W. Murrill

/s/ Robert H. Boh

Robert H. Boh

/s/ Richard A. Pattarozzi

Richard A. Pattarozzi

/s/ Arthur R. Carlson

Arthur R. Carlson

/s/ Lester Pollack

Lester Pollack

/s/ Jon C. Madonna

Jon C. Madonna

/s/ J. Hugh Roff, Jr.

J. Hugh Roff, Jr.

/s/ Dean E. Taylor

Dean E. Taylor

/s/ Donald G. Russell

Donald G. Russell

CEO CIVIL CERTIFICATION

I, Dean E. Taylor, certify that:

1. I have reviewed this annual report on Form 10-K of Tidewater Incorporated;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 22, 2003

/s/ DEAN E. TAYLOR

Dean E. Taylor
President and Chief Executive Officer

CFO CIVIL CERTIFICATION

I, J. Keith Lousteau, certify that:

1. I have reviewed this annual report on Form 10-K of Tidewater Incorporated;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 22, 2003

/s/ J. KEITH LOUSTEAU

J. Keith Lousteau
Executive Vice President and Chief Financial Officer

TIDEWATER INC.
Annual Report on Form 10-K
Items 8, 14(a), and 14(d)
Index to Financial Statements and Schedule

	<u>Page</u>
Financial Statements	
Report of Independent Auditors	F-2
Consolidated Balance Sheets, March 31, 2003 and 2002	F-3
Consolidated Statements of Earnings, three years ended March 31, 2003	F-4
Consolidated Statements of Stockholders' Equity, three years ended March 31, 2003	F-5
Consolidated Statements of Cash Flows, three years ended March 31, 2003	F-6
Notes to Consolidated Financial Statements	F-7

Financial Statement Schedule

II. Tidewater Inc. and Subsidiaries Valuation and Qualifying Accounts	F-22
---	------

All other schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or the related notes.

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Tidewater Inc.

We have audited the accompanying consolidated balance sheets of Tidewater Inc. as of March 31, 2003 and 2002 and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2003. Our audits also included the financial statement schedule listed in the accompanying Index to Financial Statements and Schedule. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tidewater Inc. at March 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142 in the year ended March 31, 2002.

ERNST & YOUNG LLP

New Orleans, Louisiana
April 21, 2003

[Table Of Contents](#)

TIDEWATER INC.
CONSOLIDATED BALANCE SHEETS
March 31, 2003 and 2002
(In thousands)

	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,767	11,882
Trade and other receivables, less allowance for doubtful accounts of \$7,304 in 2003 and \$7,944 in 2002	160,773	182,592
Marine operating supplies	31,277	28,071
Other current assets	3,675	4,036
Total current assets	213,492	226,581
Investments in, at equity, and advances to unconsolidated companies	27,445	13,722
Properties and equipment:		
Vessels and related equipment	2,077,034	1,855,182
Other properties and equipment	41,403	41,860
	2,118,437	1,897,042
Less accumulated depreciation	952,516	898,631
Net properties and equipment	1,165,921	998,411
Goodwill	328,754	328,754
Other assets	113,966	101,902
Total assets	\$1,849,578	1,669,370
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	60,968	61,809
Accrued property and liability losses	9,648	9,737
Income taxes	1,650	2,144
Total current liabilities	72,266	73,690
Long-term debt	139,000	54,000
Deferred income taxes	199,543	173,422
Accrued property and liability losses	34,148	34,025
Other liabilities and deferred credits	53,226	48,415
Stockholders' equity	1,351,395	1,285,818
Total liabilities and stockholders' equity	\$1,849,578	1,669,370

See accompanying Notes to Consolidated Financial Statements.

[Table Of Contents](#)

TIDEWATER INC.
CONSOLIDATED STATEMENTS OF EARNINGS
Years Ended March 31, 2003, 2002, and 2001
(In thousands, except share and per share data)

	2003	2002	2001
Revenues:			
Vessel revenues	\$ 624,555	715,361	583,931
Other marine revenues	11,268	13,668	32,748
	<u>635,823</u>	<u>729,029</u>	<u>616,679</u>
Costs and expenses:			
Vessel operating costs	363,162	382,934	364,184
Costs of other marine revenues	6,649	9,174	25,096
Depreciation and amortization	83,153	78,132	79,527
General and administrative	65,406	66,851	65,505
	<u>518,370</u>	<u>537,091</u>	<u>534,312</u>
	117,453	191,938	82,367
Other income (expenses):			
Foreign exchange gain (loss)	(2,896)	(843)	297
Gain on sales of assets	6,162	6,380	22,750
Equity in net earnings of unconsolidated companies	5,689	4,977	6,994
Minority interests	(78)	(199)	127
Interest and miscellaneous income	1,792	3,331	16,080
Interest and other debt costs	(412)	(833)	(1,195)
	<u>10,257</u>	<u>12,813</u>	<u>45,053</u>
Earnings before income taxes	127,710	204,751	127,420
Income taxes	39,080	68,592	41,277
Net earnings	<u>\$ 88,630</u>	<u>136,159</u>	<u>86,143</u>
Earnings per common share	<u>\$ 1.57</u>	<u>2.43</u>	<u>1.55</u>
Diluted earnings per common share	<u>\$ 1.57</u>	<u>2.41</u>	<u>1.53</u>
Weighted average common shares outstanding	56,413,856	56,054,797	55,741,624
Incremental common shares from stock options	188,774	333,537	525,735
Adjusted weighted average common shares	<u>56,602,630</u>	<u>56,388,334</u>	<u>56,267,359</u>
Cash dividends declared per common share	<u>\$.60</u>	<u>.60</u>	<u>.60</u>

See accompanying Notes to Consolidated Financial Statements.

[Table Of Contents](#)

TIDEWATER INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 Years Ended March 31, 2003, 2002 and 2001
 (In thousands)

	Common Stock	Additional paid-in capital	Retained earnings	Deferred compensation- restricted stock	Accumulated Other Comprehensive Income	Grantor Trust Stock Ownership Program (GSOP)	Total
Balance at March 31, 2000	\$ 6,056	293,617	932,008	(2,287)	(9,904)	(105,289)	1,114,201
Net earnings	—	—	86,143	—	—	—	86,143
Currency translation adjustments	—	—	—	—	—	—	—
Unrealized losses on available-for- sale securities	—	—	—	—	(147)	—	(147)
Supplemental Executive Retirement Plan minimum liability	—	—	—	—	(877)	—	(877)
Comprehensive income							85,119
Issuance of restricted stock	—	(2)	—	—	—	138	136
Exercise of stock options	(1)	2,019	—	—	—	7,683	9,701
Cash dividends declared	—	—	(33,481)	—	—	—	(33,481)
Issuance of common shares	—	682	—	—	—	850	1,532
Other	—	2	—	1,130	—	—	1,132
Balance at March 31, 2001	\$ 6,055	296,318	984,670	(1,157)	(10,928)	(96,618)	1,178,340
Net earnings	—	—	136,159	—	—	—	136,159
Currency translation adjustments	—	—	—	—	2	—	2
Unrealized losses on available-for- sale securities	—	—	—	—	(366)	—	(366)
Supplemental Executive Retirement Plan minimum liability	—	—	—	—	(269)	—	(269)
Comprehensive income							135,526
Issuance of restricted stock	4	1,589	—	(1,593)	—	—	—
Exercise of stock options	—	407	—	—	—	2,079	2,486
Cash dividends declared	—	—	(33,656)	—	—	—	(33,656)
Issuance of common shares	—	1,120	—	—	—	1,077	2,197
Other	(1)	(231)	—	1,157	—	—	925
Balance at March 31, 2002	\$ 6,058	299,203	1,087,173	(1,593)	(11,561)	(93,462)	1,285,818
Net earnings	—	—	88,630	—	—	—	88,630
Currency translation adjustments	—	—	—	—	1	—	1
Unrealized gains on available-for- sale securities	—	—	—	—	(337)	—	(337)
Supplemental Executive Retirement Plan minimum liability	—	—	—	—	(585)	—	(585)
Comprehensive income							87,709
Issuance of restricted stock	—	(55)	—	—	—	—	(55)
Exercise of stock options	—	1,588	—	—	—	7,951	9,539
Cash dividends declared	—	—	(33,880)	—	—	—	(33,880)
Issuance of common shares	—	804	—	—	—	1,014	1,818
Other	—	—	—	446	—	—	446
Balance at March 31, 2003	\$ 6,058	301,540	1,141,923	(1,147)	(12,482)	(84,497)	1,351,395

See accompanying Notes to Consolidated Financial Statements.

[Table Of Contents](#)

TIDEWATER INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2003, 2002 and 2001
(In thousands)

	2003	2002	2001
Operating activities:			
Net earnings	\$ 88,630	136,159	86,143
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	83,153	78,132	79,527
Provision for deferred income taxes	6,123	12,422	8,934
Gain on sales of assets	(6,162)	(6,380)	(22,750)
Equity in earnings of unconsolidated companies, less dividends	1,618	2,598	(2,408)
Minority interests, less dividends	(224)	65	(322)
Compensation expense—restricted stock	446	1,157	1,130
Tax benefit on stock compensation	1,099	407	2,261
Changes in assets and liabilities, net:			
Trade and other receivables	22,058	(23,588)	(9,085)
Marine operating supplies	(3,206)	527	(3,175)
Other current assets	361	93	(1,739)
Accounts payable and accrued expenses	(565)	(6,019)	14,093
Accrued property and liability losses	(328)	2,823	2,710
Other, net	8,997	(4,083)	(2,142)
Net cash provided by operating activities	202,000	194,313	153,177
Investing activities:			
Proceeds from sales of assets	13,689	17,496	46,578
Additions to properties and equipment	(269,620)	(317,907)	(302,793)
Other	—	195	(2,680)
Net cash used in investing activities	(255,931)	(300,216)	(258,895)
Financing activities:			
Principal payments on debt	(25,000)	(20,000)	—
Debt borrowings	110,000	74,000	—
Proceeds from issuance of common stock	8,695	2,287	7,442
Cash dividends	(33,880)	(33,656)	(33,481)
Other	1	1	—
Net cash provided by (used in) financing activities	59,816	22,632	(26,039)
Net change in cash and cash equivalents	5,885	(83,271)	(131,757)
Cash and cash equivalents at beginning of year	11,882	95,153	226,910
Cash and cash equivalents at end of year	\$ 17,767	11,882	95,153
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 3,156	1,479	1,049
Income taxes	\$ 31,983	60,100	23,559

See accompanying Notes to Consolidated Financial Statements.

TIDEWATER INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2003, 2002, and 2001

(1) Summary of Significant Accounting Policies

Nature of Operations

The company provides services and equipment to the offshore energy industry through the operation of the world's largest fleet of offshore service vessels. Revenues, net earnings and cash flows from operations are dependent upon the activity level for the vessel fleet, which is ultimately dependent upon oil and natural gas prices that, in turn, are determined by the supply/demand relationship for oil and natural gas.

Use of Estimates

The preparation of financial statements in accordance with accounting standards generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The company evaluates its estimates and assumptions on an ongoing basis based on a combination of historical information and various other assumptions that are considered reasonable under the particular circumstances. Actual results may differ from these estimates under different assumptions.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Tidewater Inc. and its subsidiaries. Significant intercompany balances and transactions are eliminated in consolidation.

Cash Equivalents

The company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Inventories

Inventories, which consist primarily of operating parts and supplies for the company's vessels, are stated at the lower of weighted-average cost or market.

Properties and Equipment

Properties and equipment are stated at cost. Depreciation for financial reporting purposes is computed primarily on the straight-line basis beginning with the date of construction, with salvage values of 5%-10% for marine equipment, using estimated useful lives of:

	Years
Marine equipment (from date of construction)	15–25
Other properties and equipment	3–30

Used equipment is depreciated in accordance with the above schedule; however, no life less than six years is used for marine equipment regardless of the date constructed.

Maintenance and repairs are charged to operations as incurred during the asset's original estimated useful life (its original depreciable life). Major repair costs incurred after the original estimated depreciable life that also have the effect of extending the useful life of the asset are capitalized and amortized over 30 months. Major modifications to equipment are capitalized and amortized over the remaining life of the equipment. The company schedules vessel drydockings when it is anticipated that the work can be performed. The company's net earnings can fluctuate quarter to quarter due to the timing of scheduled drydockings.

[Table Of Contents](#)

Goodwill

The company follows SFAS No. 142, "Goodwill and Other Intangible Assets," which requires goodwill to be tested annually for impairment using a fair value-based approach and does not permit amortization of goodwill as previously required by Accounting Principles Board (APB) Opinion No. 17, "Intangible Assets." An impairment loss would be recorded if the recorded goodwill exceeds its implied fair value. Goodwill primarily relates to the fiscal 1998 acquisition of O.I.L. Ltd., a British company. At March 31, 2003, the company's goodwill represented 18% of total assets and 24% of stockholders' equity. As the company adopted SFAS No. 142 as of April 1, 2001, goodwill amortization ceased at that time. The company amortized goodwill during fiscal 2001, as previously required by APB Opinion No. 17. Amortization expense in the amount of \$9.2 million, or \$.11 per share after tax, for fiscal 2001 was based on a 40-year amortization period.

Impairment of Long-Lived Assets

Effective April 1, 2002 the company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which established one accounting model to be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30. The company reviews long-lived assets for impairment whenever events occur or changes in circumstances indicate that the carrying amount of assets may not be recoverable. In such evaluation, the estimated future undiscounted cash flows generated by the asset are compared with the amount recorded for the asset to determine if a write-down may be required. The company estimates cash flow based upon historical data adjusted for the company's best estimate of future market performance that is based on industry trends. If impairment exists, the carrying value of the long-lived asset is reduced to the estimated fair value of the asset, based upon its estimated future discounted cash flows. Although the company believes its assumptions and estimates are reasonable, deviations from the assumptions and estimates could produce a materially different result.

Accrued Property and Liability Losses

The company's insurance subsidiary establishes case based reserves for estimates of reported losses on direct business written, estimates received from ceding reinsurers, and reserves based on past experience of unreported losses. Such losses principally relate to the company's marine operations and are included as a component of costs of marine operations in the Consolidated Statements of Earnings. The liability for such losses and the related reimbursement receivable from reinsurance companies are classified in the Consolidated Balance Sheet into current and noncurrent amounts based upon estimates of when the liabilities will be settled and when the receivables will be collected.

Pension and Other Postretirement Benefits

Pension costs are accounted for in accordance with the provisions of SFAS No. 87 and are funded to at least meet the minimum funding requirements as required by law. Prior service costs are amortized on the straight-line basis over the average remaining service period of employees expected to receive pension benefits. Postretirement benefits other than pensions are accounted for in accordance with SFAS No. 106. The estimated cost of postretirement benefits other than pensions are accrued during the employees' active service period.

The company follows the disclosure provisions of SFAS No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits," which standardizes the disclosures for pensions and other postretirement benefit plans.

Income Taxes

Income taxes are accounted for in accordance with the provisions of SFAS No. 109. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The

[Table Of Contents](#)

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.

Revenue Recognition

The company's primary source of revenue is derived from time charter contracts of its vessels on a rate per day of service basis; therefore, marine vessel revenues are recognized on a daily basis throughout the contract period. These time charter contracts are generally either on a term basis (average three months to two years) or on a "spot" basis. The base rate of hire for a term contract is generally a fixed rate, provided, however, that term contracts often include escalation clauses to recover specific additional costs. A spot contract is a short-term agreement to provide offshore marine services to a customer for a specific short-term job. Spot contract terms generally range from one day to one week. Marine vessel revenues are recognized on a daily basis throughout the contract period.

Foreign Currency Translation

The U.S. dollar is the functional currency for all of the company's existing international operations, as transactions in these operations are predominately denominated in U.S. dollars. Foreign currency exchange gains and losses are included in the Consolidated Statements of Earnings.

Earnings Per Share

Earnings per share are computed in accordance with SFAS No. 128, "Earnings Per Share," which requires the reporting of both earnings per share and diluted earnings per share. The calculation of earnings per share is based on the weighted average number of shares outstanding and therefore excludes any dilutive effect of stock options, while diluted earnings per share includes the dilutive effect of stock options. Per share amounts disclosed in these Notes to Consolidated Financial Statements are on a diluted basis.

Concentrations of Credit Risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of trade and other receivables. These receivables are with a variety of domestic, international and national energy companies and also include reinsurance companies for recoverable insurance losses. The company manages its exposure to risk through ongoing credit evaluations of its customers and generally does not require collateral. The company maintains an allowance for doubtful accounts for potential losses and does not believe it is generally exposed to concentrations of credit risk that are likely to have a material adverse impact on the company's financial position or results of operations.

Stock-Based Compensation

The company measures compensation expense for its stock-based compensation plan using the intrinsic value recognition and measurement principles prescribed by APB No. 25, "Accounting for Stock Issued to Employees" and related interpretations. The plan is described in Note 7 of Notes to Consolidated Financial Statements. The company uses the disclosure provision of SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," which amended the disclosure provision of SFAS No. 123. The following table illustrates the effect on net earnings and earnings per share had the company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, "Accounting for Stock-Based Compensation."

	2003	2002	2001
(In thousands)			
Net earnings as reported	\$88,630	136,159	86,143
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of tax	(7,093)	(6,746)	(7,911)
Pro forma net earnings	<u>\$81,537</u>	<u>129,413</u>	<u>78,232</u>
Earnings per common share:			
As reported	\$ 1.57	2.43	1.55
Pro forma	\$ 1.45	2.31	1.40
Diluted earnings per common share:			
As reported	\$ 1.57	2.41	1.53
Pro forma	<u>\$ 1.44</u>	<u>2.30</u>	<u>1.39</u>

[Table Of Contents](#)

Comprehensive Income

The Company uses SFAS No. 130, "Reporting Comprehensive Income," which requires the reporting and display of total comprehensive income and its components in the financial statements. Total comprehensive income represents the net change in stockholders' equity during a period from sources other than transactions with stockholders and as such, includes net earnings. For the company, accumulated other comprehensive income is comprised of the net after-tax effect of accumulated foreign currency translation adjustments, unrealized gains and losses on available-for-sale securities and derivative financial instruments, and a minimum pension liability for the company's Supplemental Executive Retirement Plan.

Derivative Instruments and Hedging Activities

The company uses SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. The company utilizes derivative financial instruments to hedge against foreign currency denominated assets and liabilities and currency commitments. These transactions are forward currency contracts that are entered into with major financial institutions. Derivative financial instruments are intended to reduce the company's exposure to foreign currency exchange risk. The company accounts for changes in the fair value of a derivative instrument depending on the intended use of the derivative and the resulting designation, which is established at the inception of a derivative. SFAS No. 133 requires that a company formally document, at the inception of a hedge, the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge, including identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, the method used to assess effectiveness and the method that will be used to measure hedge ineffectiveness of derivative instruments that receive hedge accounting treatment. For derivative instruments designated as foreign currency hedges, changes in fair value, to the extent the hedge is effective, are recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is assessed quarterly based on the total change in the derivative's fair value.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the 2003 presentation.

New Accounting Pronouncements

In April 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which supersedes previous guidance for reporting gains and losses from extinguishment of debt and accounting for leases, among other things. The portion of the statement relating to the rescission of SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt" requires that any gain or loss on extinguishment of debt that was classified as an extraordinary item that does not meet the unusual in nature and infrequent of occurrence criteria in Accounting Principal Board (APB) Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" shall be reclassified. There was no impact to the company's financial condition or results of operations with the adoption of SFAS No. 145.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" which requires that liabilities for costs associated with exit or disposal activities initiated after December 31, 2002 be recognized when incurred, rather than at the date of a commitment to an exit or disposal plan. There was no impact to the company's financial statements with the adoption of SFAS No. 146.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition to the fair value method of accounting for stock-based employee compensation, and also amends the disclosure provision of SFAS No. 123 to require disclosure in the summary of significant accounting policies the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in

[Table Of Contents](#)

annual and interim financial statements. The disclosure provision is required for all companies with stock-based employee compensation, regardless of whether the company utilizes the fair method of accounting described in SFAS No. 123 or the intrinsic value method described in APB Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS No. 148's amendment of the transition and annual disclosure provisions of SFAS No. 123 are effective for fiscal years ending after December 15, 2002. The disclosure requirements for interim financial statements containing condensed consolidated financial statements are effective for interim periods beginning after December 15, 2002. The company continues to use the intrinsic value method of accounting for stock-based employee compensation described by APB Opinion No. 25; therefore, the alternate methods of transition do not apply. The company has adopted the SFAS No. 148 disclosure requirement.

(2) Investment in Unconsolidated Companies

Investments in unconsolidated affiliates, generally 50% or less owned partnerships and corporations, are accounted for by the equity method. Under the equity method, the assets and liabilities of the unconsolidated joint venture companies are not consolidated in the company's consolidated balance sheet.

Investments in, at equity, and advances to unconsolidated marine joint-venture companies at March 31 were as follows:

	(In thousands)		
	Percentage Ownership	2003	2002
Sonatide Marine Ltd. (Luanda, Angola)	49%	\$25,159	11,437
Others	20%-50%	2,286	2,285
		<u>\$27,445</u>	<u>13,722</u>

During fiscal 2003 the company sold one deepwater platform supply vessel and one crewboat to Sonatide Marine Ltd. for \$18.8 million. The company financed the \$16 million sale of the deepwater vessel, while the joint venture paid \$2.8 million cash for the crewboat. The transactions resulted in a fiscal 2003 gain on sales of assets of \$1.1 million and increased the investments in, at equity, and advances to unconsolidated companies' account by \$14.9 million. During fiscal 2001, the company sold four vessels (two offshore tugs and two crewboats) to the same joint venture for \$17 million, of which the company financed \$9 million. As of March 31, 2003, 2002 and 2001, \$12.9 million, \$2.6 million and \$8.7 million, respectively, was owed the company related to these financings.

During fiscal 2001, the company sold its 40% holding in its unconsolidated marine joint venture, National Marine Service (NMS), for approximately \$31 million resulting in a \$16.8 million gain. The after-tax effect of the gain on the sale was \$10.9 million, or \$0.19 per share.

(3) Income Taxes

Earnings before income taxes derived from United States and international operations for the years ended March 31 are as follows:

	(In thousands)		
	2003	2002	2001
United States	\$ (20,648)	49,673	34,504
International	148,358	155,078	92,916
	<u>\$127,710</u>	<u>204,751</u>	<u>127,420</u>

[Table Of Contents](#)

Income tax expense for the years ended March 31 consists of the following:

	(In thousands)			
	U.S.			Total
	Federal	State	International	
2003				
Current	\$ 2,008	1,422	30,188	33,616
Deferred	9,231	—	(3,767)	5,464
	<u>\$11,237</u>	<u>1,422</u>	<u>26,421</u>	<u>39,080</u>
2002				
Current	\$22,002	1,487	25,870	49,359
Deferred	21,678	—	(2,445)	19,233
	<u>\$43,680</u>	<u>1,487</u>	<u>23,425</u>	<u>68,592</u>
2001				
Current	\$ 9,566	1,364	21,413	32,343
Deferred	14,033	—	(5,099)	8,934
	<u>\$23,599</u>	<u>1,364</u>	<u>16,314</u>	<u>41,277</u>

The actual income tax expense for the years ended March 31, 2003, 2002, and 2001 differs from the amounts computed by applying the U.S. federal tax rate of 35% to pre-tax earnings as a result of the following:

	(In thousands)		
	2003	2002	2001
Computed "expected" tax expense	\$44,698	71,663	44,597
Increase (reduction) resulting from:			
Foreign tax credits not previously recognized	(3,767)	(2,445)	(5,099)
Utilization of net operating loss carryforwards	(42)	(13)	—
Expenses which are not deductible for tax purposes	115	79	655
State taxes	924	967	887
Other, net	(2,848)	(1,659)	237
	<u>\$39,080</u>	<u>68,592</u>	<u>41,277</u>

The company's fiscal 2003 effective annual tax rate was changed in the fourth quarter of fiscal 2003 from 32.5% to 30.6%. The change was attributable to lower than anticipated pre-tax earnings.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2003 and 2002 are as follows:

	(In thousands)	
	2003	2002
Deferred tax assets:		
Financial provisions not deducted for tax purposes	\$ 18,007	17,261
Foreign net operating loss carryforwards	14,228	14,270
Tax credit carryforwards	29,370	9,813
Other	1,822	1,468
	<u>63,427</u>	<u>42,812</u>
Less valuation allowance	(14,228)	(14,270)
Net deferred tax assets	<u>49,199</u>	<u>28,542</u>
Deferred tax liabilities:		
Depreciation and amortization	(175,617)	(154,754)
Other	(23,926)	(18,668)

Gross deferred tax liabilities	<u>(199,543)</u>	<u>(173,422)</u>
Net deferred tax liabilities	<u><u>\$ (150,344)</u></u>	<u><u>(144,880)</u></u>

The valuation allowance is primarily the result of a doubt over the ultimate realization of benefits from certain foreign net operating losses. The remaining balance of the deferred tax assets is expected to be realized through future operating results, the reversal of taxable temporary differences and tax planning strategies.

[Table Of Contents](#)

The company has not recognized a deferred tax liability of approximately \$31.5 million for the undistributed earnings of certain non-U.S. subsidiaries that arose in prior years because the company currently does not expect those unremitted earnings to reverse and become taxable to the company in the foreseeable future. A deferred tax liability will be recognized when the company expects that it will realize those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of investments. As of March 31, 2003, the undistributed earnings of these subsidiaries were approximately \$90 million.

The company receives a tax benefit that is generated by certain employee stock benefit plan transactions. This benefit is recorded directly to additional paid-in-capital and does not reduce the company's effective income tax rate. The tax benefit for the years ended March 31, 2003, 2002 and 2001 totaled approximately \$1.1 million, \$484,000 and \$2.3 million, respectively.

(4) Long-Term Debt

At March 31, 2003 the company has a \$200 million revolving credit facility with a group of banks and at that date there was \$139 million of borrowings outstanding under the facility. Borrowings bear interest, at the company's option, at prime or Federal Funds rates plus .5% or Eurodollar rates plus margins from .5% to .75% based on the company's funded debt to total capitalization ratio. The revolving credit commitment expires on April 30, 2004, at which time the then outstanding balance will convert to a term loan payable in eight quarterly installments beginning July 31, 2004. All of the borrowings under the agreement are unsecured and the company pays an annual fee of .225% on the unused portion of the facility. During fiscal 2003 and 2002, the company capitalized approximately \$2.8 million and \$1 million, respectively, of interest costs. The company did not capitalize any interest costs during fiscal 2001.

Under the terms of the agreement, the company has agreed to limitations on future levels of investments and aggregate indebtedness, and maintenance of certain debt to capitalization ratios and also debt to earnings ratios. The agreement also limits the company's ability to encumber its assets for the benefit of others.

(5) Benefit Plans

Upon meeting various citizenship, age and service requirements, employees are eligible to participate in a defined contribution savings plan and can contribute from 2% to 50% of their base salary to an employee benefit trust. The company matches with company common stock 50% of the employee's contribution to the plan up to a maximum of 6% of the employee's base salary. The plan held 481,633 shares and 460,962 shares of the company's common stock at March 31, 2003 and 2002, respectively. Amounts charged to expense for the plan for 2003, 2002 and 2001 were \$1.7 million, \$1.6 million and \$1.8 million, respectively.

A defined benefits pension plan covers certain U.S. citizen employees and employees who are permanent residents of the United States. Benefits are based on years of service and employee compensation. Approximately 80% of the pension plan assets are invested in fixed income securities with the balance invested in equity securities and cash and cash equivalents. The plan does not invest in Tidewater stock. The company's policy is to fund the plan based upon minimum funding requirements of the Employee Retirement Income Security Act of 1974. Certain benefits programs are maintained in several other countries that provide retirement income for covered employees.

The company also has a supplemental retirement plan (supplemental plan) that provides pension benefits to certain employees in excess of those allowed under the company's tax-qualified pension plan. Assets of this non-contributory defined benefit plan are held in a Rabbi Trust, which consists of a variety of marketable securities, none of which is Tidewater stock. The Trust assets, which are included in "other assets" in the company's Consolidated Balance Sheet, are recorded at fair value with unrealized gains or losses included in other comprehensive income. Trust assets at March 31, 2003 and 2002 were \$7.3 million and \$7.6 million, respectively, and the company's obligation under the supplemental plan,

[Table Of Contents](#)

which is included in “other liabilities and deferred credits” on the Consolidated Balance Sheet, amounted to \$10.6 million and \$9.2 million, respectively, at March 31, 2003 and 2002.

Qualified retired employees currently are covered by a program, which provides limited health care and life insurance benefits. Costs of the program are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits. This plan is not funded.

Changes in plan assets and obligations during the years ended March 31, 2003 and 2002 and the funded status of the U.S. defined benefits pension plan and the supplemental plan (referred to collectively as “Pension Benefits”) and the postretirement health care and life insurance plan (referred to as “Other Benefits”) at March 31, 2003 and 2002 were as follows:

	(In thousands)			
	Pension Benefits		Other Benefits	
	2003	2002	2003	2002
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 45,162	39,437	25,185	15,775
Service cost	707	816	1,325	980
Interest cost	3,269	2,929	1,791	1,387
Participant contributions	—	—	309	334
Plan amendments	—	30	—	—
Benefits paid	(1,997)	(1,506)	(824)	(1,196)
Actuarial (gain) loss	3,078	3,456	9,804	7,905
Benefit obligation at end of year	\$ 50,219	45,162	37,590	25,185
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 35,528	32,726	—	—
Actual return	2,064	3,854	—	—
Employer contributions	830	454	515	862
Participant contributions	—	—	309	334
Benefits paid	(1,997)	(1,506)	(824)	(1,196)
Fair value of plan assets at end of year	\$ 36,425	35,528	—	—
Funded (unfunded) status	(13,795)	(9,634)	(37,590)	(25,185)
Unrecognized actuarial (gain) loss	6,298	3,042	13,551	3,868
Unrecognized prior service cost	354	461	57	(5)
Net accrued benefit cost	\$ (7,143)	(6,131)	(23,982)	(21,322)
Net accrued benefit cost consists of:				
Prepaid benefit cost	\$ 696	1,248	—	—
Accrued benefit liability	(10,501)	(9,142)	(23,982)	(21,322)
Accumulated other comprehensive income	2,662	1,763	—	—
Net accrued benefit cost	\$ (7,143)	(6,131)	(23,982)	(21,322)

For pension plans with benefit obligations in excess of plan assets, the projected benefit obligation at March 31, 2003 and 2002 was \$12.3 million and \$11.3 million, respectively. The accumulated benefit obligation for pension plans with benefit obligations in excess of plan assets was \$10.5 million and \$9.1 million at March 31, 2003 and 2002, respectively.

Net periodic pension cost for the U.S. defined benefit pension plan and the supplemental plan for 2003, 2002 and 2001 include the following components:

	(In thousands)		
	2003	2002	2001
	Service cost	\$ 707	816
Interest cost	3,269	2,929	2,616
Expected return on plan assets	(2,882)	(2,653)	(2,900)
Amortization of prior service cost	108	126	126
Recognized actuarial (gain) loss	641	413	312
Net periodic pension cost	\$ 1,843	1,631	1,044

[Table Of Contents](#)

Net periodic postretirement health care and life insurance costs for 2003, 2002 and 2001 include the following components:

	(In thousands)		
	2003	2002	2001
Service cost	\$1,325	980	848
Interest cost	1,791	1,387	979
Other amortization and deferral	59	(62)	(409)
Net periodic postretirement benefit cost	\$3,175	2,305	1,418

Assumptions used in actuarial calculations were as follows:

	2003	2002	2001
Discount rate	6.8%	7.3%	7.5%
Expected long-term rate of return on assets	8.3%	8.3%	8.3%
Rates of annual increase in compensation levels	4.0%	4.0%	4.0%

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation will be 11% in 2003, gradually declining to 5% in the year 2009 and thereafter. A 1% increase in the assumed health care cost trend rates for each year would increase the accumulated postretirement benefit obligation by approximately \$6.3 million at March 31, 2003 and increase the cost for the year ended March 31, 2003 by \$.6 million. A 1% decrease in the assumed health care cost trend rates for each year would decrease the accumulated postretirement benefit obligation by approximately \$5.1 million at March 31, 2003 and decrease the cost for the year ended March 31, 2003 by \$.4 million.

A defined contribution retirement plan covers all eligible U.S. fleet personnel, along with all new eligible employees of the company hired after December 31, 1995. This plan is noncontributory by the employee, but the company has contributed in cash 3% of an eligible employee's compensation to an employee benefit trust. The cost of the plan for fiscal 2003, 2002 and 2001 was \$1.9 million, \$2.2 million, and \$2.3 million, respectively. Forfeitures totaling approximately \$.2 million and \$.6 million reduced the costs of the plan for fiscal 2003 and 2002, respectively.

(6) Other Assets, Other Liabilities and Deferred Credits and Accumulated Other Comprehensive Income

A summary of other assets at March 31 follows:

	(In thousands)	
	2003	2002
Recoverable insurance losses	\$ 34,148	34,250
Assets held for sale	15,514	20,148
Deferred income tax assets	49,199	28,542
Other	15,105	18,962
	\$113,966	101,902

A summary of other liabilities and deferred credits at March 31 follows:

	(In thousands)	
	2003	2002
Postretirement benefits liability	\$23,982	21,322
Pension liability	7,143	6,131
Minority interests in net assets of subsidiaries	1,295	1,518
Deferred vessel revenues	6,944	5,993
Other	13,862	13,451
	\$53,226	48,415

[Table Of Contents](#)

A summary of accumulated other comprehensive income at March 31 follows:

	(In thousands)	
	2003	2002
Currency translation adjustments	\$10,578	10,578
Unrealized gains on available-for-sale securities	174	(163)
Supplemental Executive Retirement Plan minimum liability	1,730	1,146
	<u>\$12,482</u>	<u>11,561</u>

(7) Capital Stock

The company has 125 million shares of \$.10 par value common stock authorized. At March 31, 2003 and 2002, 60,578,927 shares and 60,580,671 shares, respectively, were issued. At March 31, 2003 and 2002, 3,941,578 and 4,359,728 shares, respectively, were held by the Grantor Trust Stock Ownership Program, which are not included in common shares outstanding for earnings per share calculations. At March 31, 2003 and 2002, three million shares of no par value preferred stock were authorized and unissued.

Under the company's stock option and restricted stock plans, the Compensation Committee of the Board of Directors has authority to grant stock options and restricted shares of the company's stock to officers and other key employees. At March 31, 2003, 6,124,111 shares of common stock are reserved for issuance under the plans of which 1,790,524 shares are available for future grants. Stock options are granted with an exercise price equal to the stock's fair market value at the date of grant. All outstanding stock options have ten-year terms and most of the outstanding options vest and become exercisable in equal installments over a three-year period from the grant date.

The per share weighted-average fair values of stock options granted during fiscal years 2003, 2002 and 2001 were \$10.51, \$16.33 and \$18.60, respectively, on the dates of grant using the Black Scholes option-pricing model with the following weighted-average assumptions:

	2003	2002	2001
Risk-free interest rate	3.00%	5.00%	4.70%
Expected dividend yield	2.00%	1.40%	1.20%
Expected stock price volatility	47.19%	48.87%	48.43%
Expected stock option life	5 years	5 years	5 years

The company applies the intrinsic value recognition and measurement principles prescribed by APB Opinion No. 25 in accounting for its plans and, accordingly, no compensation cost has been recognized for its stock options in the consolidated financial statements. The effect on the company's net earnings had the company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123 is disclosed in Note 1 of Notes to Consolidated Financial Statements.

Stock option activity during 2003, 2002 and 2001 was as follows:

	Weighted-average Exercise Price	Number of Shares
Balance at March 31, 2000	\$ 33.17	3,560,307
Granted	42.68	616,000
Exercised	22.79	(358,397)
Expired or cancelled	35.00	(264,169)
Balance at March 31, 2001	35.73	3,553,741
Granted	37.49	844,500
Exercised	25.18	(96,786)
Expired or cancelled	26.50	(71,334)
Balance at March 31, 2002	36.23	4,230,121
Granted	27.85	627,500
Exercised	23.54	(370,470)
Expired or cancelled	40.90	(156,669)
Balance at March 31, 2003	<u>\$ 35.93</u>	<u>4,330,482</u>

[Table Of Contents](#)

The 4,330,482 options outstanding at March 31, 2003 fall into three general exercise-price ranges as follows:

	Exercise Price Range		
	\$19.00–\$29.44	\$32.25–\$40.28	\$42.19–\$59.00
Options outstanding at March 31, 2003	1,507,789	1,358,360	1,464,333
Weighted average exercise price	\$ 25.53	\$ 36.42	\$ 46.20
Weighted average remaining contractual life	7.6 years	7.4 years	5.8 years
Options exercisable at March 31, 2003	869,455	942,674	1,280,156
Weighted average exercise price of options exercisable at March 31, 2003	\$ 23.76	\$ 35.18	\$ 46.71

At March 31, 2003, 2002, and 2001, the number of options exercisable under the stock option plans was 3,092,285, 3,034,432 and 2,411,216, respectively; and the weighted average exercise price of those options was \$36.74, \$35.35 and \$36.38, respectively.

A total of 78,448 shares of restricted common stock of the company were granted to certain key employees during fiscal years 1998 through 2003 from the company's Employee Restricted Stock Plan. These restricted shares vest and become freely transferable over a four-year period provided the employee remains employed by the company during the vesting period. During the restricted period, the restricted shares may not be transferred or encumbered, but the recipient has the right to vote and receive dividends on the restricted shares. The fair market value of the stock at the time of the grants totaled approximately \$3.3 million and was classified in stockholders' equity as deferred compensation – restricted stock. The deferred amount is being amortized by equal monthly charges to earnings over the respective four-year vesting periods. The restricted stock plan is the only equity compensation plan that has not been approved by shareholders.

In accordance with an employment agreement with the company's chairman of the board entered into on September 25, 1997, 50,000 shares of restricted common stock were granted on that date. These restricted shares vest at varying intervals when the average market price of the common stock reaches certain predetermined levels or upon the chairman reaching age 65. The fair market value of the stock at the time of grant totaling approximately \$3 million was deferred and has been amortized by equal monthly charges to earnings over the five years ended March 31, 2002. The chairman reached age 65 in March 2002; therefore, the restrictions have been lifted from the shares.

On January 29, 1999 the company established a Grantor Trust Stock Ownership Program in connection with which the company entered into a trust agreement with a bank providing for the establishment of the related trust (the "trust"). The trust is designed to acquire, hold and distribute shares of the common stock of the company to provide for the payment of benefits and compensation under the company's employee benefit plans, including its stock option plans and 401(k) plan. The trust will not increase or alter the amount of benefits or compensation that will be paid under these plans.

On January 29, 1999 the company sold at market value 5,000,000 shares (the "acquired shares") of common stock to the trust for \$107,187,500, or \$21.4375 per share. In payment for the acquired shares, the trust paid \$500,000 in cash and issued a promissory note payable to the company for the remaining balance. Acquired shares will be released to satisfy the company's obligations to pay benefits under company benefit plans as the promissory note is paid down or forgiven.

For financial reporting purposes the trust is consolidated with the company. Any dividend transactions between the company and the trust are eliminated. Acquired shares held by the trust remain valued at the market price at the date of purchase and are shown as a reduction to stockholders' equity in the company's consolidated balance sheet. The difference between the trust share value and the fair market value on the date shares are released from the trust is included in additional paid-in capital. Common stock held in the trust is not considered outstanding in the computation of earnings per share. The trust held 3,941,578 and 4,359,728 shares of common stock at March 31, 2003 and 2002, respectively. The trustee will vote or tender shares held by the trust in accordance with the confidential instructions of participants in the company's stock option plans and 401(k) plan.

[Table Of Contents](#)

Under a Shareholder Rights Plan, one preferred stock purchase right has been distributed as a dividend for each outstanding common share. Each right entitles the holder to purchase, under certain conditions, one one-hundredth of a share of Series A Participating Preferred Stock at an exercise price of \$160, subject to adjustment. The rights will not be exercisable unless a person (as defined in the plan) acquires beneficial ownership of 15% or more of the outstanding common shares, or a person commences a tender offer or exchange offer, which upon its consummation such person would beneficially own 15% or more of the outstanding common shares. The Board of Directors is authorized in certain circumstances to lower the beneficial ownership percentage to not less than 10%.

If after the rights become exercisable a person becomes the beneficial owner of 15% or more of the outstanding common shares (except pursuant to an offer for all shares approved by the Board of Directors), each holder (other than the acquirer) will be entitled to receive, upon exercise, common shares having a market value of twice the exercise price. In addition, if the company is involved in a merger (other than a merger which follows an offer for all shares approved by the Board of Directors), major sale of assets or other business combination after a person becomes the beneficial owner of 15% or more of the outstanding common shares, each holder of a right (other than the acquirer) will be entitled to receive, upon exercise, common stock of the acquiring company having a market value of twice the exercise price.

The rights may be redeemed for \$.01 per right at any time prior to ten days following the acquisition by a person of 15% or more of the outstanding common shares. The rights expire on November 1, 2006.

(8) Commitments and Contingencies

Compensation continuation agreements exist with all of the company's officers whereby each receives compensation and benefits in the event that their employment is terminated following certain events relating to a change in control of the company. The maximum amount of cash compensation that could be paid under the agreements, based on present salary levels, is approximately \$12.5 million.

As of March 31, 2003, the company has committed to the construction of 25 vessels at a total cost of approximately \$360.8 million, which includes shipyard commitments and other incidental costs. The company is committed to the construction of five large anchor handling towing supply vessels, two large platform supply vessels, 10 platform supply vessels ranging in size from 205-foot to 220-foot, two 162-foot crewboats and three 175-foot fast crewboats. Scheduled delivery for the vessels is expected to begin in April 2003 with final delivery in August 2004. As of March 31, 2003, \$214.1 million has been expended on these vessels.

While the company has not formally committed to any future new build vessel contracts at the present time, other than what has been discussed above, the company anticipates over the next several years continuing its vessel building program in order to replace its aging vessels. The majority of the company's supply and towing supply vessels were constructed between 1976 and 1983. As such, most of this vessel class exceeds 20 years of age and will ultimately need to be replaced. In addition to age, market conditions will also help determine when a vessel is no longer economically viable. The company anticipates using future operating cash flows and borrowing capacities to fund significant capital expenditures over the next several years.

During the ongoing examinations of the company's income tax returns covering fiscal years 1999 and 2000, the Internal Revenue Service (IRS) has informed the company that it intends to raise certain issues concerning the depreciation methods historically utilized by the company and the entire offshore marine support industry. The IRS position, if ultimately proposed and sustained, could result in additional income tax due approximating \$28.5 million related to fiscal years 1999 and 2000. Additionally, if the IRS were also to successfully propose a second adjustment covering the cumulative effect of such a depreciation method change, then a further additional income tax of \$25.5 million could also be due related to fiscal years prior to 1999.

[Table Of Contents](#)

Such additional taxes due, if any, would result in a reclassification of a previously recorded non-current deferred income tax liability to a current income tax payable. Other than a charge for interest related to amounts due, if any, this issue would have no effect on the company's statement of earnings. The company intends to vigorously contest any audit deficiency when issued by the IRS and believes that any final outcome of this controversy will not have a material adverse effect on its financial position or results of operations.

Various legal proceedings and claims are outstanding which arose in the ordinary course of business. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions will not have a materially adverse effect on the company's financial position or results of its ongoing operations.

(9) Financial Instruments

The company's financial instruments consist primarily of cash and cash equivalents, trade receivables, trade payables and long-term debt whose book values are considered to be representative of their respective fair values. The company also periodically enters into spot and forward currency derivative financial instruments as a hedge against foreign currency denominated assets and liabilities and currency commitments.

Spot contracts are short-term in nature and settle within two business days. The fair value approximates the carrying value due to the short-term nature of this instrument, and as a result, no gains or losses are recognized. There were no spot contracts outstanding at March 31, 2003, 2002 and 2001.

Forward currency contracts are longer-term in nature but generally do not exceed one year. The company had no derivative financial instruments outstanding at March 31, 2003 that qualified as a hedge instrument. At March 31, 2002 the company had five forward currency derivative contracts outstanding totaling \$11.5 million. The company had one forward contract outstanding totaling \$11 million that qualified as a hedge instrument at March 31, 2001.

(10) Subsequent Event

On April 1, 2003, the company paid \$79 million in cash to ENSCO International Incorporated to purchase its 27-vessel Gulf of Mexico-based marine fleet. The cash sale was funded by a newly-placed \$100 million term loan agreement with a group of banks that expires on July 31, 2004. The loan bears interest, at the company's option, at prime or Federal Funds rates plus .5% or Eurodollar rates plus margin of .85%. The mix of vessels the company acquired consists of five anchor handling towing supply vessels, six stretched 220-foot platform supply vessels and 16 supply vessels. In conjunction with this acquisition, it was also agreed that, for a period of two years and subject to satisfactory performance, the company will provide to ENSCO all of its discretionary vessel requirements in the Gulf of Mexico. The day rates to be charged under the arrangement are based upon predetermined pricing criteria.

[Table Of Contents](#)

(11) Segment and Geographic Distribution of Operations

The company follows SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" but operates in only one business segment. The following table provides a comparison of revenues, operating profit, identifiable assets, and depreciation and amortization and additions to properties and equipment for the years ended March 31. Vessel revenues and operating costs relate to vessels owned and operated by the company while other marine services relate to the activities of the company's shipyards, brokered vessels and other miscellaneous marine-related businesses.

	(In thousands)		
	2003	2002	2001
Marine revenues (A):			
Vessel revenues:			
United States	\$ 103,368	203,648	197,660
International (B)	521,187	511,713	386,271
	<u>624,555</u>	<u>715,361</u>	<u>583,931</u>
Other marine services	11,268	13,668	32,748
	<u>\$ 635,823</u>	<u>729,029</u>	<u>616,679</u>
Marine operating profit:			
Vessel activity:			
United States	\$ (15,380)	56,128	26,812
International	138,945	145,412	65,241
	<u>123,565</u>	<u>201,540</u>	<u>92,053</u>
Gains on sales of assets	6,162	6,380	22,750
Other marine services	4,168	4,042	7,137
	<u>133,895</u>	<u>211,962</u>	<u>121,940</u>
Other income	6,343	6,313	19,701
Corporate expenses	(12,116)	(12,691)	(13,026)
Interest and other debt costs	(412)	(833)	(1,195)
	<u>\$ 127,710</u>	<u>204,751</u>	<u>127,420</u>
Identifiable assets:			
Marine:			
United States	\$ 477,490	370,192	292,952
International (B)	1,254,189	1,216,724	1,047,283
	<u>1,731,679</u>	<u>1,586,916</u>	<u>1,340,235</u>
Investments in and advances to unconsolidated Marine companies	27,445	13,722	16,544
	<u>1,759,124</u>	<u>1,600,638</u>	<u>1,356,779</u>
General corporate	90,454	68,732	148,713
	<u>\$ 1,849,578</u>	<u>1,669,370</u>	<u>1,505,492</u>
Depreciation and amortization:			
Marine equipment depreciation	\$ 82,414	77,350	69,596
General corporate depreciation	739	782	761
Goodwill amortization	—	—	9,170
	<u>\$ 83,153</u>	<u>78,132</u>	<u>79,527</u>
Additions to properties and equipment:			
Marine equipment operations	\$ 269,554	317,790	302,706
General corporate	66	117	87
	<u>\$ 269,620</u>	<u>317,907</u>	<u>302,793</u>

(A) One customer accounted for 13%, 12% and 11% of revenues for the fiscal year ended March 31, 2003, 2002 and 2001, respectively.

(B) Marine support services are conducted worldwide with assets that are highly mobile. Revenues are principally derived from offshore service vessels, which regularly and routinely move from one operating area to another, often to and from offshore operating areas in different continents. Because of this asset mobility, revenues and long-lived assets attributable to the company's international marine operations in any one country are not "material" as that term is defined by SFAS No. 131. Equity in net assets of non-U.S. subsidiaries is \$876.7 million, \$870.5 million, and \$798.5 million at March 31, 2003, 2002 and 2001, respectively. Other international identifiable assets include accounts receivable and other balances denominated in currencies other than the U.S. dollar, which aggregate approximately \$8.0 million, \$12.0 million, and \$5.5 million at March 31, 2003, 2002, and 2001, respectively. These amounts are subject to the usual risks of fluctuating exchange rates and government-imposed exchange controls.

[Table Of Contents](#)**(12) Supplementary Information—Quarterly Financial Data (Unaudited)**

Years Ended March 31, 2003 and 2002

(In thousands, except per share data)

	First	Second	Third	Fourth
2003				
Marine revenues	\$160,310	158,553	163,087	153,873
Marine operating profit	\$ 35,989	35,808	36,498	25,600
Net earnings	\$ 23,043	23,361	23,637	18,589
Earnings per share	\$.41	.41	.42	.33
Diluted earnings per share	\$.41	.41	.42	.33
2002				
Marine revenues	\$190,563	187,263	181,828	169,375
Marine operating profit	\$ 60,357	55,054	51,102	45,449
Net earnings	\$ 39,031	35,329	33,542	28,257
Earnings per share	\$.70	.63	.60	.50
Diluted earnings per share	\$.69	.63	.60	.50

Operating profit consists of revenues less operating costs and expenses, depreciation, general and administrative expenses and other income and expenses of the Marine division.

See Notes 1, 2 and 3 for detailed information regarding transactions that affect fiscal 2003 and 2002 quarterly amounts. A discussion of current market conditions appears in Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations.

TIDEWATER INC. AND SUBSIDIARIES
Valuation and Qualifying Accounts
Years Ended March 31, 2003, 2002 and 2001
(In thousands)

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of period	Additions at Cost	Deductions	Balance at End of Period
2003				
Deducted in balance sheet from trade accounts receivables:				
Allowance for doubtful accounts	\$ 7,944	—	640(A)	7,304
Amortization of prepaid rent and debt issuance costs	\$ 5,447	1,473	6,101	819
2002				
Deducted in balance sheet from trade accounts receivables:				
Allowance for doubtful accounts	\$ 7,981	—	37(A)	7,944
Amortization of prepaid rent and debt issuance costs	\$ 5,272	175	—	5,447
2001				
Deducted in balance sheet from trade accounts receivable:				
Allowance for doubtful accounts	\$12,331	664	5,014(A)	7,981
Amortization of prepaid rent and debt issuance costs	\$ 5,126	146	—	5,272

(A) Accounts receivable amounts considered uncollectible and removed from accounts receivable by reducing allowance for doubtful accounts.

**TIDEWATER INC.
EXHIBITS FOR THE
ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED MARCH 31, 2003**

EXHIBIT INDEX

The index below describes each exhibit filed as a part of this report. Exhibits not incorporated by reference to a prior filing are designated by an asterisk; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

- 3(a) - Restated Certificate of Incorporation of Tidewater Inc. (filed with the Commission as Exhibit 3(a) to the company's quarterly report on Form 10-Q for the quarter ended September 30, 1993).
- 3(b) - Tidewater Inc. Bylaws (filed with the Commission as Exhibit 3(b) to the company's quarterly report on Form 10-Q for the quarter ended June 30, 1999).
- 4(a) - Restated Rights Agreement dated as of September 19, 1996 between Tidewater Inc. and The First National Bank of Boston (filed with the Commission as Exhibit 1 to Form 8-A on September 30, 1996).
- 10(a) - \$200,000,000 Revolving Credit and Term Loan Agreement dated April 26, 2001.
- 10(b) - Tidewater Inc. 1975 Incentive Program Stock Option Plan, as amended in 1990 (filed with the Commission as Exhibit 10(c) to the company's annual report on Form 10-K for the fiscal year ended March 31, 1991).
- 10(c) - Tidewater Inc. Amended and Restated 1992 Stock Option and Restricted Stock Plan dated July 27, 2000.
- 10(d) - Tidewater Inc. Second Amended and Restated Supplemental Executive Retirement Plan dated October 1, 1999 (filed with the Commission as Exhibit 10(f) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(e) - Second Amended and Restated Employees' Supplemental Savings Plan of Tidewater Inc. dated October 1, 1999 (filed with the Commission as Exhibit 10(d) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(f) - Supplemental Health Plan for Executive Officers of Tidewater Inc. (filed with the Commission as Exhibit 10(i) to a Registration Statement on September 12, 1989, Registration No. 33-31016).
- 10(g) - Amended and Restated Deferred Compensation Plan for Outside Directors of Tidewater Inc., effective November 21, 2002 (filed with the Commission as Exhibit 10(b) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 2002).
- 10(h) - Restated Non-Qualified Pension Plan for Outside Directors of Tidewater Inc., effective October 1, 1999 (filed with the Commission as Exhibit 10(h) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(i) - Amended and Restated Change of Control Agreement dated October 1, 1999 between Tidewater and William C. O'Malley (filed with the Commission as Exhibit 10(b) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(j) - Form of Amended and Restated Change of Control Agreement dated October 1, 1999 with three executive officers of Tidewater Inc. (filed with the Commission as Exhibit 10(c) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(k) - Tidewater Inc. 1996 Annual Incentive Plan (filed with the Commission as Exhibit 10(m) to the company's annual report on Form 10-K for the fiscal year ended March 31, 1997).

[Table Of Contents](#)

- 10(l) - Employment Agreement dated September 25, 1997 between Tidewater Inc. and William C. O'Malley (filed with the Commission as Exhibit 10 to the company's report on Form 10-Q for the quarter ended September 30, 1997).
- *10(m) - \$100,000,000 Term Loan Agreement dated March 28, 2003.
- 10(n) - Amended and Restated Tidewater Inc. 1997 Stock Incentive Plan dated November 21, 2002 (filed with the Commission as Exhibit 10(a) to the company's report on Form 10-Q for the quarter ended December 31, 2002).
- 10(o) - Restated Non-Qualified Deferred Compensation Plan and Trust Agreement as Restated October 1, 1999 between Tidewater Inc. and Merrill Lynch Trust Company of America (filed with the Commission as Exhibit 10(e) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- 10(p) - Second Restated Executives Supplemental Retirement Trust as Restated October 1, 1999 between Tidewater Inc. and Hibernia National Bank (filed with the Commission as Exhibit 10(j) to the company's quarterly report on Form 10-Q for the quarter ended December 31, 1999).
- *21 - Subsidiaries of the company.
- *23 - Consent of Independent Auditors.

TERM LOAN AGREEMENT

AMONG

TIDEWATER INC., ET AL
(as Companies)

FLEET NATIONAL BANK
(as Administrative Agent)

BANK ONE, NA
(as Documentation Agent)

and

CERTAIN BANKS
(as Lenders)

\$100,000,000.00

Dated: as of March 28, 2003

FLEET SECURITIES, INC.
(as Co-Lead Arranger
and Co-Bookrunner)

and

BANC ONE CAPITAL MARKETS, INC.
(as Co-Lead Arranger
and Co-Bookrunner)

TABLE OF CONTENTS

	Page No.
Introduction	1
Section 1. Commitment of Lenders	1
1.1 Line of Credit; Term Loan	1
1.2 Use of Proceeds	1
1.3 Non-Borrowing Subsidiaries Guaranty	2
1.4 Liability of the Companies; Additional Domestic Subsidiaries	3
Section 2. Promissory Notes	3
2.1 Term Notes	3
Section 3. Interest and Fees	3
3.1 Interest	3
3.2 Administrative Agent's Determination	4
3.3 Interest Payment Dates; Late Payment and Default Rate	7
3.4 Agents' Fee	7
3.5 Method of Calculating Interest and Fees	8
Section 4. Payments, Reduction or Termination of the Credit Facility and Prepayments	8
4.1 Place of Payment	8
4.2 Prepayments of Term Notes	8
4.3 Pro Rata Payments	8
Section 5. Representations and Warranties of the Company	8
5.1 Corporate Existence	8
5.2 Authorization; Validity	9
5.3 Conflicting Agreements and Other Matters	9
5.4 Financial Statements	9
5.5 Litigation	9

and Contingent Liabilities	10	
5.6 Outstanding Debt		10
5.7 Title to Properties		10
5.8 Purpose		10
5.9 Margin Stock		10
5.10 ERISA		11
5.11 Consents		11
5.12 Tax Returns; Taxes		11
5.13 Compliance with Laws		11
5.14 Foreign Assets Control Regulations		11

(i)

5.15 Disclosure		12
5.16 Environmental Matters		12
5.17 Special Provisions		13
Section 6. Covenants of the Company		13
6.1 Financial Statements		13
6.2 Inspection of Property and Books and Records		15
6.3 Covenant to Secure Notes Equally		16
6.4 Guaranteed or Collateralized Obligations		16
6.5 Maintenance of Insurance		16
6.6 Maintenance of Corporate Existence/Compliance with Law/Preservation of Property		17
6.7 Compliance with Environmental Laws		17
6.8 Liens		17
6.9 Investments		19
6.10 Dispositions of Stock and Debt		20
6.11 Mergers and Consolidations		20
6.12 Minimum EBITDA to Fixed Charge Ratio		21
6.13 Maximum Funded Debt to EBITDA Ratio		21
6.14 Maximum Funded Debt to Total Capitalization Ratio		21
6.15 Transactions with Related Party		21
6.16 Stock Transactions by Subsidiaries		21
6.17 ERISA		21
6.18 Federal Reserve Regulations, etc.		22
6.19 Environmental Matters		22
6.20 Taxes		22
Section 7. Conditions Precedent to the Funding of the Term Loan		22
7.1 Resolutions of the Companies		22
7.2 Organization Documents; Good Standing		22
7.3 Incumbency		23
7.4 Notes		23
7.5 Officer's Certificate		23
7.6 Opinion		23
7.7 Payment of Fees and Expenses		23
7.8 Due Diligence		23
Section 8. [Intentionally Omitted]		24
Section 9. Events of Default; Remedies; Set Offs		24
9.1 Events of Default		24
9.2 Remedies		26
9.3 Waiver of Set-Offs		26
Section 10. The Agents		26

(ii)

10.1 Appointment and Authorization		26
10.2 Agents' Reliance		27
10.3 Acts by Administrative Agent after Default, etc		27
10.4 Lender Credit Decision		28
10.5 Agents		28
10.6 Assignments and Participations		28
10.7 Indemnification of the Agents		30

Section 11. General	30
11.1 Definitions	30
11.2 Financial Terms	39
11.3 Delay	39
11.4 Notices	39
11.5 Costs, Expenses and Taxes; Indemnification	41
11.6 Foreign Lenders	42
11.7 Severability	43
11.8 Counterparts	43
11.9 Law	43
11.10 Successors	43
11.11 Singular and Plural	44
11.12 Amendments	44
11.13 Entire Agreement	44
Signatures	45
Exhibit A List of Domestic Subsidiaries	48
Exhibit B Commitments of Lenders	49
Exhibit C Form of Term Note	50
Exhibit D Form of Assignment and Acceptance	53

Schedule 2 Permitted Liens
Schedule 5.16 Environmental Matters

(iii)

TERM LOAN AGREEMENT

THIS TERM LOAN AGREEMENT (the "Agreement") dated as of March 28, 2003 (the "Effective Date"), by and among Tidewater Inc., a Delaware corporation (the "Company"), the Borrowing Subsidiaries and Non-Borrowing Subsidiaries of the Company (as hereinafter defined), the respective states of incorporation of Borrowing Subsidiaries and Non-Borrowing Subsidiaries (collectively, the "Domestic Subsidiaries") are set forth on Exhibit "A" attached hereto, which Domestic Subsidiaries have the states of organization set forth on Exhibit "A" attached hereto and constitute all of the Domestic Subsidiaries of the Company (herein together with the Company called the "Companies"), and Fleet National Bank, a national banking association, as administrative agent (the "Administrative Agent") and Bank One, NA, a national banking association, as documentation agent (the "Documentation Agent") (the Administrative Agent and the Documentation Agent, collectively, the "Agents"), and the banks listed on the signature pages hereof (the "Lenders").

RECITALS

A. Subject to the terms and conditions of this Agreement, the Lenders have severally agreed to make a \$100,000,000 term loan available to the Company and the Borrowing Subsidiaries, and the Company and the Borrowing Subsidiaries have agreed to accept the term loan from the Lenders. The Non-Borrowing Subsidiaries will guarantee the term loan.

B. The Companies, Agents and Lenders desire to set forth the terms and conditions of the term loan herein.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual covenants, agreements and undertakings herein contained, the Agents, Lenders and the Companies hereby agree as follows:

Section 1. Commitment of Lenders. Subject to the terms and conditions hereof, each Lender severally agrees to make a term loan to the Company, on the terms and conditions set forth in this Agreement, in the aggregate principal amounts set forth on Exhibit B hereto (the "Term Loan Commitment" or "Commitments"):

1.1 Term Loan. The Lenders shall severally make a term loan (the "Term Loan" or "Loans") to the Company and the Borrowing Subsidiaries on a date requested by the Company on or before 30 days after the Effective Date, in the amounts set forth on Exhibit B hereto.

1.2 Use of Proceeds. The Company and the Borrowing Subsidiaries shall use the proceeds of the Term Loan only (i) for the financing of the Acquisitions, and (ii) for reduction of existing

indebtedness of the Companies pursuant to the Revolving Credit and Term Loan Agreement among the Companies, the Agents and certain other lenders, dated as of April 26, 2001, as amended (the "Revolving Credit Facility"), and (iii) for general corporate purposes not inconsistent with the provisions of this Agreement.

1.3 Non-Borrowing Subsidiaries Guaranty. (a) Each of the Non-Borrowing Subsidiaries hereby absolutely, unconditionally and solidarily guarantee as primary obligor and not as surety the full and punctual payment (whether at stated maturity, upon acceleration or early termination or otherwise, and at all times thereafter) and performance of the Loans, including, without limitation, any loans incurred or accrued under this Agreement during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, whether or not allowed or allowable in such proceeding. Upon failure by the Company or the Borrowing Subsidiaries to pay punctually any amount due under this Agreement, each Non-Borrowing Subsidiary agrees that it shall forthwith on demand pay to the Agent for the benefit of the Lenders, the amount not so paid at the place and in the amount as specified in this Agreement. This guaranty is a guaranty of payment and not of collection. Each Non-Borrowing Subsidiary waives any right to require the Lenders to sue the Company or the Borrowing Subsidiaries or any other guarantor, or any other person obligated for all or any part of the Loans, or otherwise to enforce its payment against any collateral, if any, securing all or any part of the Loans.

(b) The obligations of the Non-Borrowing Subsidiaries hereunder shall be unconditional and absolute, and without limiting the generality of the foregoing, shall not be released or discharged or otherwise affected by (i) any extension, renewal, settlement, compromise, waiver of release in respect of any of the Loans, by operation of law or otherwise, or any obligation of any other guarantor of any of the Loans, or any default, failure or delay, willful or otherwise, in the payment or performance of the Loans; (ii) any modification or amendment or supplement to this Agreement or the Notes; (iii) any release, non-perfection or invalidity of any direct or indirect security for any of the Loans or any obligations of any other guarantor of any of the Loans or any action or failure to act by any Agent or any Lender with respect to any collateral (if any) securing all or part of the Loans; (iv) any change in the corporate existence, structure or ownership of the Company or the Borrowing Subsidiaries or any other guarantor of any of the Loans, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Company or the Borrowing Subsidiaries, or any other guarantor of the Loans, or its assets or any resulting release or discharge of any obligation of the Company or the Borrowing Subsidiaries or any other guarantor of any of the Loans; (v) the existence of any claim, setoff or other rights which the Non-Borrowing Subsidiary may have at any time against the Company or the Borrowing Subsidiaries or any other guarantor of the Loans, any Agent or any Lender, whether in connection herewith or any unrelated transaction; (vi) any invalidity or unenforceability relating to or against the Company or the Borrowing Subsidiaries, or any other guarantor of any of the Loans, for any reason related to this Agreement, or any provision or applicable law or regulation purporting to prohibit the payment by the Company or the Borrowing Subsidiaries or any other guarantor of the Loans, of any amount payable by the Company or the Borrowing Subsidiaries under this Agreement or the Notes; or (vii) any other act or omission to act or delay of any kind by the Company or the Borrowing Subsidiaries, any other guarantor of the Loans, any Agent, any Lender or any other circumstance whatsoever which might, but for the

-2-

provisions of this paragraph, constitute a legal or equitable discharge of any Non-Borrowing Subsidiary's obligations hereunder.

(c) The Non-Borrowing Subsidiaries' obligations hereunder shall remain in full force and effect until all of the Loans have been indefeasibly paid in full. If at any time any payment by the Company or the Borrowing Subsidiaries of any amount payable by the Company or the Borrowing Subsidiaries under this Agreement is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of the Company or the Borrowing

Subsidiaries or otherwise, each of Non-Borrowing Subsidiary's obligation hereunder with respect to such payment shall be reinstated as though such payment had been due but not made at such time.

(d) Each Non-Borrowing Subsidiary hereby agrees not to assert any right, claim or cause of action, including, without limitation, a claim for subrogation, reimbursement, indemnification or otherwise against the Company or the Borrowing Subsidiaries arising out of or by reason of this Agreement or the obligations hereunder, including, without limitation, the payment or securing or purchasing of any of the Loans by any Non-Borrowing Subsidiary unless and until the Loans are indefeasibly paid in full.

1.4 Liability of the Companies; Additional Domestic Subsidiaries. Irrespective of the Company or Companies who directly or indirectly receive the amounts funded on Advances, each of the Companies shall be liable jointly and severally and solidarily to the Lenders for all amounts outstanding from time to time under the Credit Facility. The Company shall promptly notify the Documentation Agent of the creation or acquisition of any company that becomes a Domestic Subsidiary after the Effective Date and shall sign such instruments as the Documentation Agent prepares (which shall be reasonably consistent with instruments executed in connection with the execution of this Agreement) to make such new Domestic Subsidiary a party hereto.

Section 2. Promissory Notes.

2.1 Term Notes. The Term Loan shall be evidenced by promissory notes of the Company and the Borrowing Subsidiaries in the form of Exhibit C hereto, dated the Effective Date, payable to the order of each Lender respectively (together with any and all renewals, extensions, rearrangements and/or modifications thereof, the "Term Note" or "Notes"), in the Lenders' respective proportionate amount of the Term Loan, with appropriate insertions. The Term Notes shall provide for payment of all principal in full at maturity on the Maturity Date. Once the Term Loan is initially funded, the Lenders shall not fund any additional Advances under the Term Loan.

Section 3. Interest and Fees.

3.1 Interest. The unpaid principal of the Credit Facility shall bear interest at one (or both) of the following interest rates, at the Company's option: (i) Base Rate plus the Applicable Base Rate Margin or (ii) Eurodollar Rate plus the Applicable Eurodollar Rate Margin. The Company shall select the interest rate applicable to each Tranche at the time of the initial funding the Term Loan,

-3-

and the selected interest rate shall continue as to said Tranche until changed in accordance with the following. The Company shall notify the Administrative Agent of the Company's desire to change the interest rate on the Term Loan (or any portion thereof) not less than three (3) Business Days prior to the date on which such change shall be effective. The Company may change from Base Rate Advances to Eurodollar Rate Advances at any time without payment of premium or penalty, but the Company may change from Eurodollar Rate Advances to Base Rate Advances only as of the last day of a Eurodollar Rate Interest Period without payment of premium or penalty. In the absence of any specific rate election by the Company, the Credit Facility shall bear interest at the Base Rate. Not more than four (4) Eurodollar Rate Tranches shall be permitted at any time. No Credit Facility Tranche may have a principal amount of less than \$5,000,000, and each Tranche shall be proportionately the same on each Note.

3.2 Administrative Agent's Determination. (a) The Administrative Agent shall determine the amount of interest payable on each Tranche, and its determination shall be conclusive in the absence of manifest error. The Administrative Agent shall endeavor to notify the Company of any amount of any interest payment prior to the date on which an interest payment is due: provided that the failure of the Administrative Agent to provide such notice shall not affect the Companies' obligation to pay interest on such date.

(b) If the Administrative Agent gives notice to the Company that no Eurodollar Rate is quoted to the Administrative Agent for the applicable Eurodollar Rate Interest Period or in the applicable amounts, then (i) the ability of the Company to select the Eurodollar Rate for a Tranche shall be suspended, and (ii) the Companies shall either prepay all Eurodollar Rate

Tranches for which an interest rate is to be determined on such date or the Notes shall thereafter bear interest at the Base Rate plus the Applicable Base Rate Margin.

(c) If any applicable domestic or foreign law, treaty, rule or regulation (whether now in effect or hereinafter enacted or promulgated, including Regulation D of the Board of Governors of the Federal Reserve System) or any interpretation or administration thereof by any governmental authority charged with the interpretation or administration thereof (whether or not having the force of law):

(i) changes the basis of taxation of payments to the Lenders of any principal, interest, or other amounts attributable to any Eurodollar Rate Tranche (other than taxes imposed on the overall net income of the Lenders or any lending office of the Lenders by any jurisdiction in which the Lenders or any such lending office is located);

(ii) changes, imposes, modifies, applies or deems applicable any reserve, special deposit, insurance assessments or similar requirements in respect of any such Eurodollar Rate Tranche (excluding those for which the Lenders are fully compensated pursuant to adjustments made in the definition of Eurodollar Rate) or against assets of, deposits with or for the account of, or credit extended by, the Lenders; or

-4-

(iii) imposes on the Lenders or the interbank eurocurrency deposit and transfer market any other condition affecting any such Eurodollar Rate Tranche,

and the result of any of the foregoing is to increase the cost to the Lenders of funding or maintaining any such Eurodollar Rate Tranche (other than costs for which the Lenders are fully compensated pursuant to adjustments made in the definition of Eurodollar Rate) or to reduce the amount of any sum receivable by the Lenders in respect of any such Eurodollar Rate Tranche by an amount deemed by the Lenders to be material, then the Administrative Agent shall promptly notify the Company in writing (such writing including the necessary calculations in reasonable detail) of the happening of such event and the Companies shall upon demand pay to the Lenders such additional amount or amounts as will compensate the Lenders for such additional cost or reduction accrued as of the time of such notice and thereafter, the Companies may either continue to pay to the Lenders such additional amount as will compensate the Lenders for the additional cost or reduction of Eurodollar Rate Tranches, or the Companies may elect, by giving to the Administrative Agent not less than three Business Days' notice, to change the interest rate applicable to such Tranche from the Eurodollar Rate plus the Applicable Eurodollar Rate Margin to the Base Rate plus the Applicable Base Rate Margin.

(d) Notwithstanding any other provision hereof, if any change in applicable laws, treaties, rules or regulations or in the interpretation or administration thereof or in any jurisdiction whatsoever, domestic or foreign, shall make it unlawful or impracticable for the Lenders to maintain Eurodollar Rate Tranches bearing interest at the Eurodollar Rate plus the Applicable Eurodollar Rate Margin, or shall materially restrict the authority of the Lenders to purchase, sell or take certificates of deposit or offshore deposits of dollars, then all Eurodollar Rate Tranches which are then outstanding and which cannot lawfully or practicably be maintained shall immediately cease to bear interest at the Eurodollar Rate plus the Applicable Eurodollar Rate Margin and shall commence to bear interest at the Base Rate plus the Applicable Base Rate Margin. The Companies agree to indemnify the Lenders and hold them harmless against all costs, expenses, claims, penalties, liabilities and damages which may result from any such change in law, treaty, rule, regulation, interpretation or administration, arising out of or in connection with this Agreement and the Loans.

(e) The Companies will indemnify the Lenders against, and reimburse each Lender on demand for, any loss or expense incurred or sustained by the Lenders (including without limitation, any loss or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by the Lenders to fund or maintain Eurodollar Rate Tranches) as a result of (i) any payment or prepayment (whether authorized or required hereunder or otherwise) of all or a portion of any such Tranche on a day other than the day on which the applicable Eurodollar Rate Interest Period ends, (ii) any payment or prepayment, whether

required hereunder or otherwise, of Eurodollar Rate Tranches made after the delivery, but before the effective date, of an election to have the Eurodollar Rate plus the Applicable Eurodollar Rate Margin apply to a Eurodollar Rate Tranche, if such payment or prepayment prevents such election from becoming fully effective, (iii) the failure of any Eurodollar Rate Tranche to be made by the Lenders or of any such election to become effective due to any condition precedent to a Eurodollar Rate Tranche not being satisfied or due to any other action or

-5-

inaction of the Companies, (iv) the Companies' election to change the interest rate from the Eurodollar Rate plus the Applicable Eurodollar Rate Margin to the Base Rate plus the Applicable Base Rate Margin pursuant to Section 3.2(f) (iv) hereof, or (v) the occurrence of a Default or the non-payment of the Notes at maturity of the Notes for any reason as set forth in Section 3.3 hereof. For purposes of this Subsection, funding losses arising by reason of liquidation or reemployment of deposits or other funds acquired by the Lenders to fund or maintain Eurodollar Rate Tranches shall be calculated as (A) the remainder, if a positive number, obtained by subtracting (1) the yield (reflecting both stated interest rate and discount, if any) to maturity of obligations of the United States Treasury as determined by the Administrative Agent in an amount equal or comparable to such advance for the period of time commencing on the date of the payment, prepayment or change of rate as provided above and ending on the last day of the subject Eurodollar Rate Interest Period, from (2) the Eurodollar Rate plus the Applicable Eurodollar Rate Margin of the subject Eurodollar Rate Interest Period, (B) times the number of days from the date of payment, prepayment or change of rate to the last day of the Eurodollar Rate Interest Period, divided by 360, (C) times the amount of the applicable Eurodollar Rate Tranche. Any payment due under this section will be paid to the Administrative Agent within five days after the Administrative Agent delivers to the Company a certificate setting forth in reasonable detail the amount of such payment, which certificate shall be conclusive in the absence of manifest error.

(f) The Companies covenant and agree that:

(i) The Companies will pay, when due and on an after-tax basis, all present and future stamp and other taxes, levies, costs and charges whatsoever imposed, assessed, levied or collected on or in respect of any Eurodollar Rate Tranche (other than taxes, levies, costs or charges imposed on or measured by the overall net income of the Lenders, or any lending office of the Lenders by any jurisdiction in which the Lenders or any such lending office is located) (all such non-excluded taxes, levies, costs and charges being collectively called "Reimbursable Taxes"). Promptly after the date on which payment of any Reimbursable Taxes is due pursuant to applicable law, the Companies will, at the request of the Administrative Agent, furnish to the Lenders evidence in form and substance satisfactory to the Lenders that the Companies have met their obligation under this subsection.

(ii) The Companies will indemnify the Administrative Agent and the Lenders against, and reimburse the Administrative Agent and the Lenders on demand for, any Reimbursable Taxes paid by the Administrative Agent and the Lenders and any loss, liability, claim or expense, including interest, penalties and legal fees, that the Administrative Agent and the Lenders may incur at any time arising out of or in connection with the failure of the Companies to make any payment of Reimbursable Taxes when due. Any payment due under this subsection will be paid to the Administrative Agent within five days after demand therefor by the Administrative Agent.

-6-

(iii) All payments on account of the principal of, and interest on, Eurodollar Rate Tranches and all other amounts payable by the Companies to the Lenders hereunder shall be made free and clear of and without reduction by reason of any Reimbursable Taxes.

(iv) If the Companies are ever required to pay any Reimbursable Taxes with respect to any Eurodollar Rate Tranches, the Companies may elect, by giving to the Administrative Agent not less than three (3) Business Days' notice, to change the interest rate applicable to any such

advance from the Eurodollar Rate plus the Applicable Eurodollar Rate Margin to the Base Rate plus the Applicable Base Rate Margin, but such election shall not diminish the Companies' obligation to pay all Reimbursable Taxes theretofore imposed, assessed, levied or collected.

(g) If any applicable law or regulation, or the action of any applicable regulatory requirement increases the reserves or capital required for the Credit Facility, the Administrative Agent shall promptly deliver a certificate to the Company specifying in reasonable detail the additional amount as will compensate the Lenders for the additional costs, which certificate shall be conclusive in the absence of manifest error. The Companies shall pay the amount specified in such certificate promptly upon receipt.

3.3 Interest Payment Dates; Late Payment and Default Rate. Interest on Base Rate Advances on the Term Loan shall be payable quarterly in arrears on the last day of each March, June, September and December, beginning on the first such date immediately following the Effective Date, with a final payment of interest on the Maturity Date. Interest on Eurodollar Rate Advances shall be payable on the last day of each Eurodollar Rate Interest Period (1 month, 2 months, 3 months or 6 months), and in the case of 6-month Eurodollar Rate Interest Periods, also at the end of the first 3 months thereof; provided that the final payment of all accrued and unpaid interest on the Eurodollar Rate Advances shall be due and payable on the Maturity Date. Upon the occurrence of a Default and for so long as such Default remains uncured, the interest rate on the Notes shall be increased to the Base Rate plus the Applicable Base Rate Margin plus two percent (2%). Interest after maturity of the Notes for any reason whatsoever (including acceleration following the occurrence of an Event of Default) shall be increased to the Base Rate plus the Applicable Base Rate Margin plus two percent (2%) and shall be payable on demand.

3.4 Agents' Fee. An Agents' fee for the Credit Facility in the amount set forth in the Agents' Fee Agreement shall be payable by the Company to the Agents in accordance with the Agents' Fee Agreement.

3.5 Method of Calculating Interest and Fees. Interest at the Base Rate (based on the Prime Rate) shall be computed on the basis of a year consisting of 365 days (366 days in a leap year) and paid for the actual days elapsed. Interest at the Base Rate (based on the Federal Funds Rate) shall be computed on the basis of a year consisting of 360 days and a month consisting of 30 days and paid for the actual days elapsed. Interest at the Eurodollar Rate shall be computed on the basis

-7-

of a year consisting of 360 days and a month consisting of 30 days and paid for the actual days elapsed.

Section 4. Payments, Reduction or Termination of the Credit Facility and Prepayments.

4.1 Place of Payment. All payments hereunder (including payments of interest, principal and fees) with respect to the Notes shall be made by the Company (on behalf of itself and all Borrowing Subsidiaries) to the Administrative Agent in immediately available funds, prior to 1:00 p.m. (Eastern time) at its offices at 100 Federal Street, Boston, Massachusetts, or at such other place as may be designated by Administrative Agent to the Company in writing. Any payment received after 1:00 p.m. (Eastern time) shall be deemed received on the next Business Day. Whenever any payment to be made hereunder or under the Notes fall on a date other than a Business Day, such payment may be made on the next succeeding Business Day, and such extension of time shall be included in the computation of payment of interest or any fees.

4.2 Prepayments of Term Notes. The Company or any Borrowing Subsidiary may from time to time (in the case of Base Rate Tranches) or at the end of any Eurodollar Rate Interest Period (in the case of Eurodollar Rate Tranches), upon at least three Business Day's prior telephonic notice (confirmed in writing) to the Administrative Agent, prepay the principal of the Term Notes in whole or in part without premium; provided, however, any partial prepayment of principal shall be in an amount not less than \$10,000,000.00. Any prepayment of the principal of the Term Notes shall include accrued interest to the date of prepayment on the principal amount being prepaid. No prepayments may be reborrowed.

4.3 Pro Rata Payments. All payments and prepayments of principal, interest, fees and other amounts paid by the Company or any Borrowing Subsidiary to the Administrative Agent from time to time under this Agreement shall be promptly wired by the Administrative Agent to the Lenders in proportion to their respective Commitments.

Section 5. Representations and Warranties of the Company. The Company represents and warrants to the Lenders that as of the Effective Date and any date thereafter:

5.1 Corporate Existence. Each of the Companies is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated and is duly qualified and in good standing in all jurisdictions wherein the property it owns or the business it transacts make such qualification necessary as a foreign corporation, except where the failure to so qualify would not materially impair the ability of the Company or any of its Subsidiaries to operate its business or own its assets; and each of the Companies has and will continue to have (i) all necessary corporate power and authority and (ii) all necessary material permits, licenses, patents, trademarks and other intangibles, to acquire, own and hold the property and all other properties it purports to own and hold and to carry on its business as now conducted. The Domestic Subsidiaries listed on Exhibit "A" attached hereto constitute all of the Domestic Subsidiaries of the Company.

-8-

5.2 Authorization; Validity. (a) Each of the Companies is and/or has been duly authorized to execute and deliver this Agreement, and is and will continue to be duly authorized to perform its obligations under this Agreement. This Agreement, as executed and when delivered, shall constitute the legal, valid and binding obligations of each of the Companies, enforceable in accordance with their terms.

(b) Each of the Company and the Borrowing Subsidiaries is and/or has been authorized to execute and deliver the Notes, and is and will continue to be duly authorized to perform its obligations under the Notes. The Notes, as executed and when delivered, shall constitute the legal, valid and binding obligations of each of the Company and the Borrowing Subsidiaries, enforceable in accordance with their terms.

5.3 Conflicting Agreements and Other Matters. Neither the Company nor any of its Subsidiaries is a party to any contract or agreement or subject to any charter or other corporate restriction which materially and adversely affects the business, property, assets, or financial condition of the Company and its Subsidiaries, taken as a whole. Neither the execution nor delivery of this Agreement or the Notes, nor fulfillment of nor compliance with the terms and provisions hereof and of the Notes will conflict with, or result in a breach of the terms, conditions or provisions of, or constitute a default under, the charter or by-laws of the Company or any of its Subsidiaries, any award of any arbitrator or any agreement (including any agreement with stockholders) or instrument to which the Company or any of its Subsidiaries is now a party, or result in the creation of any Lien on any property or assets of the Company or any of its Subsidiaries, or constitute a violation of any law, statute, rule, regulation, order, judgment or decree to which the Company or any of its Subsidiaries is subject. Neither the Company nor any of its Subsidiaries is a party to, or otherwise subject to any provision contained in, any instrument evidencing indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other contract or agreement (including its charter) which (i) limits the amount of, or otherwise imposes restrictions on the incurring of, Debt of the Companies of the type to be evidenced by the Notes, or (ii) which imposes restrictions on the granting of Liens by the Companies on otherwise unencumbered assets of the Companies as security for the Credit Facility, except for the Revolving Credit Facility.

5.4 Financial Statements. The Company has furnished the Lenders with the consolidated balance sheets of the Company and its Subsidiaries as at fiscal year end in each of the years 2000 through 2002, inclusive, and for the nine-month period ending December 31, 2002, and a consolidated statement of income and statement of cash flows for each such fiscal year and such nine-month period, all identified by a principal financial officer of such Company and all (other than any financial information for such nine-month period) certified by Ernst & Young, LLP. Such financial statements (including any related schedules and/or notes) are true and correct in all material respects (subject, as to

interim statements, to changes resulting from audits and normal year-end adjustments) and have been prepared in accordance with generally accepted accounting principles, and, unless otherwise set forth therein, consistently followed throughout the periods involved and show all liabilities, direct and contingent, of the Company and its Subsidiaries required to be shown in accordance with such principles. The balance sheets fairly present the condition of the Company and its Subsidiaries as at the dates thereof, and the related statements of earnings, stockholders'

-9-

equity and cash flows fairly present the results of the operations of the Company and its Subsidiaries for the periods indicated. As of the date of this Agreement, there has been no material adverse change in the business, condition or operations (financial or otherwise) of the Company and its Subsidiaries taken as a whole, since December 31, 2002.

5.5 Litigation and Contingent Liabilities. No litigation or governmental proceedings are pending or threatened against the Company or any of its Subsidiaries, the results of which are likely to materially adversely affect the financial condition or operations of the Company and its Subsidiaries on a consolidated basis, except as provided for or disclosed in the financial statements referred to in Section 5.4 hereof. Other than any liability incident to such litigation or proceedings provided for or disclosed in the financial statements referred to in Section 5.4 hereof, or any other material contingent liabilities provided for or disclosed in the financial statements referred to in Section 5.4 hereof, the Company and its Subsidiaries, on a consolidated basis, do not have any material contingent liabilities.

5.6 Outstanding Funded Debt. Neither the Company nor any of its Subsidiaries has outstanding any Funded Debt, except pursuant to, or as otherwise permitted by, the Revolving Credit Facility. There exists no default under the provisions of any instrument evidencing Debt or of any agreement relating thereto.

5.7 Title to Properties. Except for assets which are the subject of Capitalized Lease Obligations, the Company and its Subsidiaries each have and will continue to have good and marketable title to their respective properties and assets, including the properties and assets reflected in the financial statements described in Section 5.4 hereof, subject to no Lien of any kind except Liens permitted by Section 6.8 hereof. All leases necessary in any material respect for the conduct of the respective businesses of the Company and its Subsidiaries are valid and subsisting and are in full force and effect.

5.8 Purpose. The proceeds of the Loan will be used by the Companies only for the purposes specified in Section 1.2 hereof.

5.9 Margin Stock. Neither the Company nor any of its Subsidiaries is engaged in the business of purchasing or selling margin stock (as defined in any regulation of the Board of Governors of the Federal Reserve System) or extending credit to others for the purpose of purchasing or carrying margin stock and no part of the proceeds of any borrowing hereunder will be used to purchase or carry any margin stock or for any other purpose which would violate any of the margin regulations of such Board of Governors.

5.10 ERISA. No accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, exists with respect to any Plan (other than a Multiemployer Plan). No liability to the PBGC has been or is expected by the Company to be incurred with respect to any Plan (other than a Multiemployer Plan) by the Company or any of its Subsidiaries which is or would be materially adverse to the Company and its Subsidiaries taken as a whole. Neither the Company nor any of its Subsidiaries has incurred or presently expects to incur any withdrawal of liability under Title IV of ERISA with respect to any Multiemployer Plan which is

-10-

or would be materially adverse to the Company and its Subsidiaries taken as a whole. The execution and delivery of this Agreement will not, and the delivery of the Notes will not, involve any transaction which is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be

imposed pursuant to Section 4975 of the Code. The term "Code" shall mean the Internal Revenue Code of 1986, as amended; the term "Plan" shall mean an "employee pension benefit plan" (as defined in Section 3 of ERISA) which is or has been established or maintained, or to which contributions are or have been made, by the Company or by any trade or business, whether or not incorporated, which, together with the Company, is under common control, as described in Section 414(b) or (c) of the Code; and the term "Multiemployer Plan" shall mean any plan which is a "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA).

5.11 Consents. At the time of the funding of the Term Loan, no consent, approval or authorization of, or registration or declaration with, any federal or state governmental authority or other regulatory agent for the validity of the execution and delivery or for the performance by any of the Companies of this Agreement and the Notes or any agreement or instrument executed in connection herewith, will be required.

5.12 Tax Returns; Taxes. The Company has and each of its Subsidiaries have filed all federal, state, foreign and other income tax returns which, to the knowledge of the officers of the Company, are required to be filed by any jurisdiction, and each has paid and will pay all taxes which have or subsequently become due pursuant to said returns or pursuant to any assessments, except those contested in good faith by appropriate proceedings and for which sufficient reserves have been or will be established.

5.13 Compliance with Laws. The Company and each of its Subsidiaries is in substantial compliance with all laws and regulations applicable to the Companies and the businesses conducted by them (including without limitation, laws and regulations relating to pollution and environmental control, equal employment opportunity and employer safety) in all jurisdictions in which the Company and each of its Subsidiaries is presently doing business, and the Company will substantially comply and cause each of its Subsidiaries to substantially comply with all such laws and regulations which may be legally imposed in the future in jurisdictions in which the Company or any Subsidiary may then be doing business.

5.14 Foreign Assets Control Regulations. Neither the borrowing by the Company and the Borrowing Subsidiaries hereunder nor their use of the proceeds thereof will violate the Foreign Assets Control Regulations, the Burmese Sanctions Regulations, the Cuban Assets Control Regulations, the Iranian Assets Control Regulations, the Libyan Sanctions Regulations, the Iranian Transactions Regulations, Iraqi Sanctions Regulations, the Sudanese Sanctions Regulations, the UNITA (Angola) Sanctions Regulations or the Federal Republic of Yugoslavia (Serbia and Montenegro) Sanctions Regulations, the Taliban (Afghanistan) Sanctions Regulations and the Western Balkans Stabilization Regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V), or the Comprehensive Anti-Apartheid Act of 1986 (P.L. 99-440), or any similar asset control regulations now existing or hereafter promulgated by the United States Treasury Department.

-11-

5.15 Disclosure. Neither this Agreement nor any other document, certificate or statement furnished to the Lenders by or on behalf of the Company and the Subsidiaries in connection herewith contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading. There is no fact peculiar to the Company or any of its Subsidiaries which materially adversely affects or in the future may (so far as the Company can now foresee) materially adversely affect the business, property or assets, or financial condition, of the Company and any of its Subsidiaries, taken as a whole, and which has not been set forth in this Agreement or in the other documents, certificates and statements furnished to the Lenders by or on behalf of the Company prior to the date hereof in connection with the transactions contemplated hereby.

5.16 Environmental Matters. (i) Neither the Company nor any Subsidiary is subject to any Environmental Liability or Environmental Requirement which could reasonably be expected to have a material adverse effect on the business, financial condition, operations or prospects of the Company and its Subsidiaries, taken as a whole.

(ii) Except as set forth on Schedule 5.16, neither the Company nor any Subsidiary has been designated as a potentially responsible party under CERCLA or under any state statute similar to CERCLA. None of the Properties has been

identified on any current or proposed National Priorities List under 40 C.F.R. ss.300 or any list arising from a state statute similar to CERCLA. None of the Properties has been identified on any CERCLIS list.

(iii) No Hazardous Materials have been or are being used, produced, manufactured, processed, generated, stored, disposed of, released, managed at or shipped or transported to or from the Properties or are otherwise present at, on, in or under the Properties or, to the best knowledge of the Companies, at or from any adjacent site or facility, except for Hazardous Materials used, produced, manufactured, processed, generated, stored, disposed of, released and managed in the ordinary course of business in compliance with all applicable Environmental Requirements, except where failure to comply could not reasonably be expected to have a material adverse affect on the business, operations, or financial condition of the Company and its Subsidiaries, taken as a whole.

(iv) Except as set forth in Schedule 5.16, the Company and each of its Subsidiaries has procured all permits, licenses or authorizations (or any variances or waivers) necessary under Environmental Requirements for the conduct of its business.

5.17 Special Provisions. The foregoing representations and warranties shall be true and correct as of the Effective Date, and shall remain true and correct from and after the Effective Date.

Section 6. Covenants of the Company.

From the date of this Agreement and thereafter until the expiration or termination of the Credit Facility and until the Notes and other liabilities of the Company hereunder are paid in full:

-12-

6.1 Financial Statements: The Company agrees that it will furnish to the Documentation Agent one copy for each of the Lenders of the following:

- (a) as soon as practicable and in any event within forty-five (45) days after the end of each quarterly period (other than the last quarterly period) in each fiscal year, a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarterly period and the related statement of earnings and cash flows for the period from the beginning of the current fiscal year to the end of such quarterly period, setting forth in each case in comparative form figures for the corresponding period in the preceding fiscal year, all in reasonable detail and certified by an authorized financial officer of the Company, subject to changes resulting from year end adjustments; provided, however, that delivery pursuant to clause (c) below of copies of the Quarterly Report on Form 10-Q of the Company for such quarterly period filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this clause (a);
- (b) as soon as practicable and in any event within ninety (90) days after the end of each fiscal year, a consolidated balance sheet of the Company and its Subsidiaries as at the end of such year and the related statements of earnings, stockholders' equity and cash flow for such year, setting forth in each case in comparative form corresponding consolidated figures from the preceding annual audit, all in accordance with generally accepted accounting principles and unrestricted in audit scope and certified as to consolidated statements of the Company by independent public accountants of recognized standing selected by the Company whose certificate shall be in scope and substance satisfactory to Lenders; provided, however, that delivery pursuant to clause (c) below of copies of the Annual Report on Form 10-K of the Company for such fiscal year filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this clause (b);
- (c) promptly upon transmission thereof, copies of all such financial statements, proxy statements, notices and reports as the Company shall send to its public stockholders and copies of all registration statements (without exhibits) and all reports which the Company files with the Securities and Exchange Commission (or any governmental body or agency succeeding to the functions of the Securities and Exchange

Commission);

- (d) promptly upon receipt thereof, a copy of each other report submitted to the Company or any of its Subsidiaries by independent accountants in connection with any annual, interim or special audit made by them of the books of the Company or any of its Subsidiaries and which the Company or any of its Subsidiaries shares with the audit committee of the Board of Directors of the Company;

-13-

- (e) with reasonable promptness, such other financial data as Lenders may reasonably request; and
- (f) as soon as practicable but in any event not later than ninety (90) days after the beginning of each fiscal year, a consolidated budget of the Company and its Subsidiaries for the ensuing fiscal year.

Together with each delivery of financial statements required by clauses (a) and (b) above, the Company will deliver to the Documentation Agent an original of an Officer's Certificate demonstrating (with computations in reasonable detail) compliance with Sections 6.12, 6.13 and 6.14, stating that there exists no Event of Default or Default, or, if any such Event of Default or Default exists, specifying the nature thereof, the period of existence thereof and what action the Company proposes to take with respect thereto. Together with each delivery of financial statements required by clause (b) above, the Company will also deliver to the Documentation Agent an original of a certificate of said accountants stating that, in making the audit necessary to the certification of such financial statements, they have obtained no knowledge of any Default or any Event of Default, or, if any such Event of Default or Default exists, specifying the nature and period of existence thereof. Such accountants, however, shall not be liable to anyone by reason of their failure to obtain knowledge of any such Event of Default or Default which would not be disclosed in the course of an audit conducted in accordance with generally accepted auditing standards.

The Company also agrees that forthwith upon the chief executive officer, principal financial officer or principal accounting officer of the Company obtaining knowledge of:

- (i) an Event of Default or Default;
- (ii) a material adverse change in the financial condition, business or operations of the Company and its Subsidiaries, taken as a whole;
- (iii) the institution of legal proceedings against the Company and/or any Subsidiary, which is likely to materially adversely affect the financial condition, business or operations of the Company and its Subsidiaries, taken as a whole, or which in any manner draws into question the validity of or is likely to impair the ability of the Companies to perform their obligations under this Agreement or the Notes;
- (iv) the occurrence of any default (after the passage of any grace period) by a Company under the Revolving Credit Facility or any other agreement or note evidencing borrowed money for an aggregate initial principal amount equal to or greater than \$1,000,000;
- (v) any (A) Environmental Liability which is likely to materially adversely affect the financial condition, business or operations of the Company and its

-14-

Subsidiaries, taken as a whole, (B) pending, threatened or anticipated Environmental Proceedings, which is likely to materially adversely affect the financial condition, business or operations of the Company and its Subsidiaries, taken as a whole, (C) Environmental Notice which is likely to materially adversely affect the financial condition, business or operations of the

Company and its Subsidiaries, taken as a whole, (D) Environmental Judgment or Order which is likely to materially adversely affect the financial condition, business or operations of the Company and its Subsidiaries, taken as a whole, or (E) Environmental Releases at, on, in, under or in any way materially affecting the Properties;

- (vi) any violation of the provisions of Section 6.17 hereto relating to ERISA compliance; or
- (vii) the occurrence of any other event that is likely to impair the ability of the Companies to meet their obligations hereunder.

The Company will deliver to the Documentation Agent an Officer's Certificate specifying the nature and period of existence thereof and what action the Company has taken, is taking or proposes to take with respect thereto.

The Documentation Agent will promptly distribute to the Lenders, originals (to the extent available) or copies of the financial statements and reports, the Officer's Certificates and all other documents received by the Documentation Agent from the Borrower pursuant to this Section 6.1.

6.2 Inspection of Property and Books and Records. The Company agrees that it will permit the Agents, each Lender (with prior notice to the Agents) and any Person designated by the Agents in writing, at Agents' (or Lender's) expense, to visit and inspect any of the properties of the Company and its Subsidiaries, to examine the corporate books and financial records of the Companies and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of any of such corporations with the principal officers of each of the Companies and their respective independent public accountants, all at such reasonable times and as often as Agents or the Lenders may reasonably request.

6.3 Covenant to Secure Notes Equally. (a) The Company agrees that if the Company or any Subsidiary shall create or assume any Lien of any kind upon any of its property or assets, whether now owned or hereafter acquired, other than Liens permitted by the provisions of Section 6.8 (unless prior written consent to the creation or assumption thereof shall have been obtained), they will make or cause to be made effective provisions whereby the Notes will be secured by such Lien equally and ratably with any and all other Debt thereby secured, as long as any such other Debt shall be so secured.

(b) The Company agrees not to become a party to, or otherwise be subject to, any provision contained in any instrument evidencing indebtedness of any of the Companies which

-15-

imposes restrictions on the granting of Liens by the Companies on otherwise unencumbered assets of the Companies as security for the Notes, except for the Revolving Credit Facility and as otherwise set forth herein.

6.4 Guaranteed or Collateralized Obligations. The Company agrees that if it or any of its Subsidiaries incurs or permits to exist any Debt in any event in excess of an aggregate principal amount equal to \$10,000,000 guaranteed or collateralized (except as permitted by Sections 6.8(v) and 6.8(ix) hereof) in any other manner by any other Person (other than any governmental entity, or other than in connection with (y) bonds, letters of credit, letters of undertaking, or other instruments related to litigation, or the avoidance thereof, involving the Company or its Subsidiaries, including the release of assets of the Company or its Subsidiaries in connection with such litigation, or (z) performance bonds, surety bonds, letters of credit, bank guaranties, and other instruments related to the conduct of the business of the Company or its Subsidiaries, excluding any obligation for borrowed money), it will simultaneously cause such Person to execute and deliver to the Lenders a guaranty agreement or collateral agreement, as the case may be, in form and substance satisfactory to the Lenders either (i) guaranteeing payment of the principal amount of the Notes and any premium and interest thereon, which bears the same ratio to the total unpaid principal amount of the Notes as the amount of such other obligation which is guaranteed bears to the total unpaid principal amount of such other obligation or (ii) collateralizing the Notes equally and ratably with such other obligation, as the case may be. Nothing contained in the foregoing shall be deemed to permit the Companies to incur Liens to Persons other than the Lenders in excess of those permitted by Section 6.8 hereof.

6.5 Maintenance of Insurance. The Company agrees that it will, and will cause each Subsidiary to maintain, with responsible insurers, insurance with respect to its properties and business against such casualties and contingencies (including, but not limited to, public liability, larceny, embezzlement or other criminal misappropriation, pollution and war risks) and in such amounts as is customary in the case of similarly situated corporations engaged in the same or similar businesses.

6.6 Maintenance of Corporate Existence/Compliance with Law/Preservation of Property. Except as allowed under Sections 6.10 and 6.11, the Company covenants that it and each Subsidiary will do or cause to be done all things necessary to preserve, renew and keep in full force and effect the corporate existence of such Company and its Subsidiaries and comply in all material respects with all laws and regulations (including, without limitation, laws and regulations relating to equal employment opportunity and employee safety) applicable to it and its Subsidiaries, the failure with which to comply is likely to materially adversely affect the business, operations or financial condition of the Company and its Subsidiaries, taken as a whole; at all times maintain, preserve and protect all material intellectual property of the Company and its Subsidiaries, and preserve all the remainder of its material property used or useful in the conduct of its business and keep the same in good repair, working order and condition. The Company shall not enter into business activities materially different from the nature of the business activities of the Company as of the date of this Agreement.

-16-

6.7 Compliance with Environmental Laws. The Company will, and will cause each of its Subsidiaries to, comply in a timely fashion with, or operate pursuant to valid waivers of the provisions of, all Environmental Requirements including, without limitation, requirements with respect to the emission of wastewater effluent, solid and hazardous waste and air pollution, and any other applicable requirements for conducting, on a timely basis, periodic tests and monitoring for contamination of ground water, surface water, air and land and for biological toxicity of the aforesaid, and comply with any applicable regulations (except to the extent such regulations are waived by appropriate governmental authorities) of the Environmental Protection Agency or other relevant federal, state or local governmental authority, except where the failure to do so is not likely to materially adversely affect the business, operations or financial condition of the Company and the Subsidiaries, taken as a whole. To the fullest extent permitted by applicable law, the Company agrees to indemnify and hold the Agents, the Lenders, their officers, agents and employees harmless from any loss, liability, claim or expense that they may incur or suffer as a result of a breach by the Company or any of the Subsidiaries, as the case may be, of this covenant. The Company shall not be deemed to have breached or violated this Section 6.7 if the Company or Subsidiary is challenging in good faith by appropriate proceedings diligently pursued the application or enforcement of such Environmental Requirements for which adequate reserves have been established in accordance with generally accepted accounting principles.

6.8 Liens. The Company agrees that it will not, and will not permit any Subsidiary to create, assume or suffer to exist any Lien upon any of their respective property or assets, whether now owned or hereafter acquired (whether or not provision is made for the equal and ratable securing of the Term Loans in accordance with the provisions of Section 6.3) except:

- (i) Liens for taxes (including ad valorem and property taxes) not yet due or which are being contested in good faith by appropriate proceedings;
- (ii) Liens incidental to the conduct of their businesses or the ownership of their property and assets which were not incurred in connection with the borrowing of money or the obtaining of advances of credit, and which do not in the aggregate materially detract from the value of their property or assets or materially impair the use thereof in the operation of their business;
- (iii) presently existing Liens on property or assets of any of the Subsidiaries to secure obligations of any of such Subsidiaries to the Company or another Subsidiary;

- (iv) Liens to secure up to \$20,000,000 of letters of credit obligations of the Company;
- (v) any common law right of set off or banker's lien arising in the ordinary course of business in connection with deposit arrangements maintained by the Company and its Subsidiaries with its banks or other financial institution, other than a Lender in connection with this Agreement (which such rights have been waived pursuant to Section 9.3 hereof); and

-17-

- (vi) Liens on assets covered by financing arrangements, including lease financing arrangements which would be characterized as capitalized leases in accordance with generally accepted accounting principles, if the indebtedness for all such agreements does not in the aggregate exceed fifteen percent (15%) of Consolidated Stockholders' Equity.
- (vii) presently existing Liens on property or assets of any Foreign Subsidiary consisting of marine mortgages on new vessels under construction or on vessels already constructed, which Liens were required as a condition of new vessel financing from non-United States sources, all of which Liens (other than Liens which are incidental and do not materially affect such property or assets) are set forth on Schedule 2-Part 1 attached hereto and made a part hereof;
- (viii) any presently existing Lien which existed on any real or personal property of any corporation at the time it became a Subsidiary, or which existed prior to the time of acquisition upon any real or personal property acquired by the Company or any Subsidiary through purchase, merger or consolidation or otherwise, whether or not assumed by the Company or any Subsidiary, or placed upon real or personal property acquired by the Company or any Subsidiary, in connection with the purchase thereof, all of which Liens (other than Liens which are incidental and do not materially affect such property) are set forth on Schedule 2-Part 2 attached hereto and made a part hereof, provided that any such Lien shall not encumber any other property of the Company or any Subsidiary;
- (ix) any Lien renewing, extending or refunding any Lien permitted by clause (v) above, provided that the principal amount secured is not increased and the Lien is not extended to other property; and
- (x) Liens securing the Credit Facility or the Revolving Credit Facility.

6.9 Investments. The Company agrees that it will not and will not permit any Subsidiary to make any investment in, or any loan or advance to, or own, purchase or acquire (other than as allowed in Section 6.10) any stock or securities of, any Person (all of the foregoing being herein called "Restricted Investments"), except that:

- (i) the Company or any of its Subsidiaries may own, purchase or acquire (A) direct obligations of the United States of America or any of its agencies or obligations guaranteed by the United States of America or any of its agencies and having maturities not in excess of two years from the date of purchase or acquisition, (B) prime commercial paper rated A1 or P1 and having maturities not in excess of two years from the date of purchase or acquisition,

-18-

(C) certificates of deposit issued by any banks with a net worth of at least \$100,000,000 and a rating by either Moody's Investor Services, Inc. or Standard & Poors of at least A or better and

having maturities not in excess of two years from the date of purchase or acquisition, or (D) any publicly-available money market funds sponsored by reputable financial institutions and composed of one or more of the investments described in Clauses (A) through (C); provided, however, that in the case of any Lender or Lenders whose rating is less than A, the maximum amount of the certificates of deposit issued by such Lender or Lenders shall not exceed \$3,000,000 individually or \$12,000,000 in the aggregate;

- (ii) any Canadian Subsidiary may own, purchase or acquire direct obligations of the Canadian Government having maturities not in excess of two years from the date of purchase or acquisition;
- (iii) the Company or any of its Subsidiaries may (A) make or permit to remain outstanding loans or advances to the Company or any Subsidiary, (B) own, purchase or acquire stock or securities of a Subsidiary or of a corporation which immediately after such purchase or acquisition will be a Subsidiary, or (C) acquire and own stock or securities received in a settlement of debts created in the ordinary course of business and owed to the Company or any Subsidiary;
- (iv) any Foreign Subsidiary may own, purchase or acquire certificates of deposit having maturities not in excess of two years from the date of purchase or acquisition and issued by foreign banks or by the foreign branches of United States banks if each such foreign bank or foreign branch has a net worth of at least \$100,000,000 and a rating by either Moody's Investor Services, Inc. or Standard & Poors of at least A or better; and
- (v) the Company or any Subsidiary may make loans or advances to or own, purchase or acquire stock or securities or an interest in any joint venture entity; provided, however, that the aggregate amount of all such loans, advances and investments in joint venture entities at any time outstanding shall not exceed \$100,000,000.

The foregoing restrictions on investments by the Companies shall not apply to funds maintained in rabbi trusts established by the Companies for supplemental executive retirement plans and early retirement incentive programs. Furthermore, the foregoing restrictions on investments by the Company shall not apply to purchases by the Company of its own stock or securities.

6.10 Dispositions of Stock and Debt. The Company agrees that it will not, and will not permit any Subsidiary to sell or otherwise dispose of any shares of stock or Debt of any Subsidiary, except (i) to the Company or another Subsidiary, (ii) a sale of shares of a Subsidiary in connection

-19-

with the creation of a joint venture (subject to the limitations on investments set forth in Subsections 6.9(v), and (iii) except that all shares of stock and Debt of any Subsidiary at the time owned by or owed to the Company or any of its Subsidiaries may be sold as an entirety for a cash consideration which represents the fair value (as determined in good faith by the Board of Directors of the Company) at the time of sale of the shares and Debt so sold; provided that the assets of such Subsidiary do not constitute a substantial part of the consolidated assets of the Company and its Subsidiaries; and provided further that, at the time of such sale, such Subsidiary shall not own, directly or indirectly, any Debt of the Company or any shares of stock or Debt of any other Subsidiary (unless all of the shares of stock and Debt of such other Subsidiary owned, directly or indirectly by the Company and all Subsidiaries are simultaneously being sold as permitted by this Section 6.10; and provided, further, that the Company may sell 70% of the stock of Tidewater (Malaysia) Sdn.Bhd. to citizens of Malaysia.

6.11 Mergers and Consolidations. The Company agrees that it will not, and will not permit any Subsidiary to merge or consolidate with any other corporation or sell, lease or transfer or otherwise dispose of all or a substantial part of its assets to any Person, except that provided no Default has occurred and is continuing and further provided that no Default will occur as a result thereof:

- (i) any Subsidiary may merge or consolidate with the Company (provided that the Company shall be the continuing or surviving corporation) or with any one or more other Subsidiaries;
- (ii) any Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to the Company or another Subsidiary;
- (iii) any Subsidiary may sell or otherwise dispose of all or substantially all of its assets subject to the conditions specified in Section 6.10 with respect to a sale of the stock of such Subsidiary;
- (iv) the Company may merge or consolidate with any corporation provided that the Company shall be the continuing or surviving corporation; and
- (v) any Subsidiary may merge or consolidate with any corporation provided such continuing or surviving corporation shall remain or become a Subsidiary of the Company.

6.12 Minimum EBITDA to Fixed Charge Ratio. The Company agrees that it will not permit its EBITDA to Fixed Charge Ratio to be less than 2.00 to 1.00.

6.13 Maximum Funded Debt to EBITDA Ratio. The Company agrees that it will not permit its Funded Debt to EBITDA Ratio to be greater than 3.00 to 1.00.

6.14 Maximum Funded Debt to Total Capitalization Ratio. The Company agrees that it will not permit its Funded Debt to Total Capitalization Ratio to be greater than 0.40 to 1.00.

-20-

6.15 Transactions with Related Party. The Company agrees that it will not, and will not permit any Subsidiary to effect any transaction with any Affiliate or Subsidiary by which any asset or services of a Company or a Subsidiary is transferred to such Affiliate or Subsidiary, or from such Affiliate or Subsidiary or enter into any other transaction with an Affiliate or Subsidiary, on terms less favorable to such Company or such Subsidiary than would be reasonably expected to be given in a similar transaction with an unrelated entity. The foregoing restrictions shall not apply to transactions between the Company and a Subsidiary or a Subsidiary and another Subsidiary.

6.16 Stock Transactions by Subsidiaries. The Company agrees that it will not permit any Subsidiary to issue, sell or dispose of any shares of any class of its stock (other than directors' qualifying shares or shares which are effectively controlled by the Company) except to the Company or another Subsidiary or as permitted by Section 6.10.

6.17 ERISA. The Company agrees that it will not, and will not permit any Subsidiary to:

- (i) terminate or withdraw from any Plan so as to result in any material liability to the PBGC;
- (ii) engage in or permit any Person to engage in any prohibited transaction (as defined in Section 4975 of the Code) involving any Plan (other than a Multiemployer Plan) which would subject the Company or any Subsidiary to any material tax, penalty or other Liability;
- (iii) incur or suffer to exist any material accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived, involving any Plan (other than a Multiemployer Plan); or
- (iv) allow or suffer to exist any risk or condition, which presents a material risk of incurring a material liability to the PBGC.

6.18 Federal Reserve Regulations, etc. The Company agrees that it will not, and will not permit any Subsidiary or any agent acting on behalf of the Company or any Subsidiary, to take any action which might cause this Agreement or the Notes to violate Regulation U or any other regulation of the Board of Governors of the Federal Reserve System or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect now or as the same may hereafter be in

effect.

6.19 Environmental Matters. Each of the Companies agrees that it will not, and will not permit any Third Party to use, produce, manufacture, process, generate, store, dispose of, manage at, or ship or transport to or from the Properties any Hazardous Materials except for Hazardous Materials used, produced, manufactured, processed, generated, stored, disposed of, released or managed in the ordinary course of business in compliance with all applicable Environmental Requirements and except for Hazardous Materials released in amounts which do not require remediation pursuant to applicable law or regulation, and which do not present any danger to health,

-21-

safety or the environment, or unless any liability resulting from such remediation is not likely to materially adversely affect the business, operations or financial condition of the Company and its Subsidiaries, taken as a whole.

6.20 Taxes. The Company agrees that it will pay when due, and cause each of its Subsidiaries to pay when due, all taxes, assessments, and other liabilities, other than for borrowed money, except and so long as contested in good faith.

Section 7. Conditions Precedent to the Funding of the Term Loan. The obligation of the Lenders to make the term Loan to the Company under this Agreement is subject to the receipt by the Documentation Agent of the following:

7.1 Resolutions of the Companies. Copies, duly certified by the secretary or assistant secretary of each of the Companies, of (a) the resolutions of the Board of Directors of each of the Companies authorizing the borrowings or guaranties hereunder and the execution and delivery of this Agreement and the Notes, (b) all documents evidencing other necessary corporate action, and (c) all approvals, or consents, if any, necessary with respect to this Agreement and the Notes.

7.2 Organization Documents; Good Standing. Copies of (a) the certificate of incorporation of the Company (certified as of a recent date by the Secretary of State of Delaware), (b) the by-laws of the Company, certified by the secretary or assistant secretary of the Company, (c) the certificate of incorporation and by-laws of each Identified Subsidiary, certified by the secretary or assistant secretary of such Identified Subsidiary, in each case as in effect on the Effective Date, (d) certificates of good standing for the Company and each of the Identified Subsidiaries, issued by the Secretary of State of their respective states of incorporation, (e) certificate of qualification to do business of the Company issued by the Secretary of State of the State of Louisiana.

7.3 Incumbency. Certificates of the secretary or assistant secretary of each of the Companies, certifying the name of the officers of each of the Companies, respectively, authorized to execute this Agreement and the Notes, and all other documents or certificates to be delivered hereunder, together with the true signatures of such officers.

7.4 Notes. The duly executed Term Notes payable to the respective Lenders.

7.5 Officer's Certificate. A certificate of the president or chief financial officer of the Company, dated as of the Effective Date, certifying that as of the Effective Date (i) the representations and warranties of the Company set forth in Section 5 hereof are true and correct, (ii) no Event of Default has occurred, and (iii) no material adverse change in the financial condition, business, operations or prospects of the Company or its Subsidiaries has occurred since December 31, 2002.

7.6 Opinion. The opinion of Jones, Walker, Waechter, Poitevent, Carrere & Denegre, L.L.P., special counsel to the Company, addressed to the Lenders, to the effect that (a) each of the Company and the Identified Subsidiaries is a corporation duly organized, validly existing and in

-22-

good standing under the laws of the jurisdiction of its incorporation and is duly qualified and in good standing as a foreign corporation in all jurisdictions wherein the property it owns or the business it transacts makes such qualification necessary, except where the failure to so qualify would not impair the ability of Company or any of the Identified Subsidiaries to operate its business or own its assets; (b) each of the Companies has full power to execute, deliver and perform its obligations under this Agreement and the Term Notes; (c) such actions have been duly authorized by all necessary corporate action, and are not in conflict with any provision of law or of the charter or by-laws of any of the Companies, nor in conflict with any agreement binding upon the Company or any of the Identified Subsidiaries; (d) this Agreement and the Term Notes, when executed and delivered, are the legal and binding obligations of the Company, enforceable in accordance with their respective terms, except as enforcement may be limited by applicable bankruptcy, reorganization, moratorium or similar laws; and (e) no consent or approval of the shareholders of the Company or of any governmental authority is required as a condition to the validity or enforceability of this Agreement or the Notes.

7.7 Payment of Fees and Expenses. Evidence that the Company has paid (i) all underwriting fees due the Administrative Agent pursuant to the Agents' Fee Agreement, and (ii) all other fees and expenses of the Agents and their counsel as described in Section 11.5 hereof.

7.8 Due Diligence. Evidence satisfactory to the Agent as to (i) review of the purchase agreement for the Acquisition; (ii) completion of due diligence of the Company and the company from whom the Acquisition is to be made; (iii) the corporate and capital structure of the Company on a pro forma basis after giving effect to the Acquisition; (iv) financial projections of the Company for the duration of the Term Loans; (v) absence of any litigations that (in the judgment of the Agents or any Lender) would prohibit the Lenders from making the Term Loans or would have a material adverse effect on the Company; (vi) absence of any disruption or material adverse change in the financial or capital markets in general; and (vii) absence of any material changes in governmental regulations or policies affecting the Company, the Agents, the Co-arrangers or the Lenders prior to the funding of the Term Loans.

Section 8. [Intentionally Omitted]

Section 9. Events of Default; Remedies; Set Offs.

9.1 Events of Default. Any one of the following events shall constitute Events of Default hereunder and under this Agreement and the Notes, individually and collectively:

(a) The Company or any Borrowing Subsidiary defaults in the payment of any principal on any Note when the same shall become due, either by the terms thereof or otherwise as herein provided.

(b) The Company or any Borrowing Subsidiary defaults in the payment of any interest on any Note or any other amount due hereunder for more than 5 days after the date due.

-23-

(c) The Company or any Subsidiary defaults in any payment of principal or of interest on any other obligation for borrowed money (including, but not limited to, the Revolving Credit Facility, any Capitalized Lease Obligation, any obligation under a conditional sale or other title retention agreement, any obligation issued or assumed as full or partial payment for property whether or not secured by a purchase money mortgage or any obligation under notes payable or drafts accepted representing extensions of credit) beyond any period of grace provided with respect thereto, or in the performance or observance of any other agreement, term or condition contained in any agreement under which any such obligation is created if the effect of such default is to cause, or permit the holder or holders of such obligation (or a trustee on behalf of such holder or holders) to cause, such obligation to become due (or to be defeased or repurchased by the Company or any Subsidiary) prior to its stated maturity, provided that the aggregate amount of all obligations as to which such payment default shall occur and be continuing or such failure (or defeasance or resale) or other event causing or permitting acceleration shall occur and be continuing exceeds \$1,000,000, individually or in the aggregate.

(d) Any representation or warranty made by the Company herein or in any writing furnished in connection with or pursuant to this Agreement shall be false in any material respect on the date as of which made or deemed made.

(e) The Company defaults in the performance or observance of any agreement or covenant contained in Sections 6.8 through 6.20 of this Agreement.

(f) The Company defaults in the performance or observance of any other agreement, covenant, term or condition contained herein and such default shall not have been remedied within 30 days after the earlier to occur of (i) the date on which the President, the Treasurer or the Chief Financial Officer of the Company obtains actual knowledge thereof or (ii) the date on which written notice thereof shall have been received by the Company from the Administrative Agent.

(g) The Company or any Subsidiary makes an assignment for the benefit of creditors or is generally not paying its debts as such debts become due.

(h) Any decree or order for relief in respect of the Company or any Subsidiary is entered under any bankruptcy, reorganization, compromise, arrangement, insolvency, readjustment of debt, dissolution or liquidation or similar law, whether now or hereinafter in effect (herein called "Bankruptcy Law"), of any jurisdiction.

(i) The Company or any Subsidiary petitions or applies to any tribunal for, or consents to the appointment of, or taking possession by, a trustee, receiver, custodian, liquidator or similar official, of the Company or any Subsidiary, or of any substantial part of the assets of the Company or any Subsidiary, or commences a voluntary case under the Bankruptcy Law of the United States or any proceedings (other than proceedings for the voluntary liquidation and dissolution of a Subsidiary) relating to the Company or any Subsidiary under the Bankruptcy Law of any other jurisdiction.

-24-

(j) Any such petition or application described in Section 9.1(i) is filed, or any such proceedings are commenced, against the Company or any Subsidiary, and the Company or such Subsidiary by any act indicates its approval thereof, consent thereto, or acquiescence therein, or an order, judgment or decree is entered appointing any such trustee, receiver, custodian, liquidator or similar official, or approving the petition in any such proceedings, and such order, judgment or decree remains unstayed and in effect for more than 60 days.

(k) Any order, judgment or decree is entered in any proceedings against the Company decreeing the dissolution of the Company and such order remains in effect for more than 60 days.

(l) Any order, judgment or decree is entered in any proceedings against the Company or any Subsidiary, as the case may be, decreeing a split-up of the Company or such Subsidiary which requires the divestiture of assets representing a substantial part, or the divestiture of the stock of a Subsidiary whose assets represent a substantial part, of the assets of the Company and its Subsidiaries or which requires the divestiture of assets, or stock of a Subsidiary, which shall have contributed a substantial part of the Consolidated Net Income of the Company and its Subsidiaries for any of the three (3) fiscal years then most recently ended, and such order, judgment or decree remains unstayed and in effect for more than 60 days.

(m) A final judgment in an amount in excess of \$1,000,000 is rendered against the Company or any Subsidiary and, within 60 days after entry thereof, such judgment is not discharged or execution thereof stayed pending appeal, or within 60 days after the expiration of any such stay, such judgment is not discharged.

9.2 Remedies. (a) If any Event of Default specified in Subsections 9.1(h), 9.1(i) or 9.1(j) occurs, the outstanding Notes shall automatically become immediately due and payable, all without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Company. If any Event of Default occurs under any other subsection of Section 9.1, the Required Lenders may, at their option, and in addition to any right, power or remedy provided by law or equity, by notice in writing to the Company, declare the outstanding Notes to be immediately due and payable, whereupon the Credit Facility shall be terminated and the outstanding Notes shall become immediately

due and payable, all without presentment, demand, protest or notice of any kind, all of which are hereby waived by the Companies.

(b) In furtherance to the remedies specified above, the Documentation Agent (with the direction of the Required Lenders) may proceed to protect and enforce the Lenders' rights under this Agreement and the outstanding Notes by exercising such remedies as are available to the Documentation Agent or the Lenders in respect thereof under applicable law (except to the extent waived by Section 9.3 hereof), either by suit in equity or by action at law, or both, whether for specific performance of any covenant or other agreement contained in this Agreement or in aid for the exercise of any power granted in this Agreement. No remedy conferred in this Agreement upon the Documentation Agent or the Lenders is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy conferred

-25-

herein or now or hereafter existing at law or in equity or by statute or otherwise, except to the extent waived by Section 9.3 hereof.

9.3 Waiver of Set-Offs. The Administrative Agent, each Agent and each Lender hereby specifically waive (i) the right to set-off any funds of any of the Companies in possession of the Administrative Agent, each Agent or any Lender against the obligation of the Companies to the Administrative Agent, each Agent or any Lender pursuant to this Agreement, or (ii) any counterclaim against, security interest in or banker's or other lien on, any of such funds or accounts of the Companies.

Section 10. The Agents.

10.1 Appointment and Authorization. (a) Each Lender appoints and authorizes the Administrative Agent to receive all payments of principal, interest, fees and other amounts payable by the Companies under this Agreement and to remit same immediately to the Lenders, to disburse the Advances from the Lenders, and to take such action and to exercise such powers under this Agreement and the Notes as are delegated to the Administrative Agent by the Lenders from time to time. The Administrative Agent shall promptly distribute to the Lenders upon receipt all payments and prepayments of principal, interest, fees and other amounts paid by the Companies under this Agreement, in proportion to the Lenders' Commitments. Similarly, the Lenders shall be obligated to fund Advances in proportion to their Commitments. The Administrative Agent shall promptly distribute to the Agents the fees payable by the Companies pursuant to the Agents' Fee Agreement. The Administrative Agent may resign at any time by written notice to the Lenders; the successor Administrative Agent shall be selected by the Required Lenders from between the remaining Agents.

(b) Each Lender appoints and authorizes the Documentation Agent to hold this Agreement and all other documentation in connection herewith (except for the Notes which will be held by the respective Lenders), and to take such action and exercise such powers under this Agreement and the Notes as are delegated to the Documentation Agent by the Lenders from time to time. Any requests by the Company for consent by the Lenders or waiver or amendment of provisions of the Agreement shall be delivered by the Company to the Documentation Agent (with copies to the other Agents), but favorable action on such requests shall require the approval of the Required Lenders.

(c) Each Lender appoints and authorizes the Co-Arrangers to supervise the syndication of the Term Loans to a group of financial institutions identified by the Agents in consultation with the Company in accordance with the provisions of Section 10.6 hereof.

10.2 Agents' Reliance. Neither the Agents nor any of their directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement and the Notes, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agents: (i) may treat the payee of any of the Notes as the holder thereof until the Documentation Agent receives written notice

-26-

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

10.3 Acts by Administrative Agent after Default, etc. In the event that the Administrative Agent shall have been notified in writing by the Company or the Lenders of any Event of Default (or in the event that the officer of the Administrative Agent responsible for the Borrower's account obtains actual knowledge of an Event of Default), the Administrative Agent (a) shall immediately notify the Lenders; (b) shall take such action and assert such rights under this Agreement as it is expressly required to do pursuant to the terms of this Agreement with the consent of the Required Lenders; (c) may take such other actions and assert such other rights as it deems advisable, in its discretion, for the protection of the interests of the Lenders pursuant to applicable laws with the consent of the Required Lenders; and (d) shall inform all the Lenders of the taking of action or assertion of rights pursuant to this Section. Each Lender agrees with the Administrative Agent and the other Lenders that the decisions and determinations of the Required Lenders in enforcing this Agreement and the Notes and guiding the Administrative Agent in those matters shall be binding upon all the Lenders, including, without limitation, authorizing the Administrative Agent at the pro rata expense of all the Lenders (to the extent not reimbursed by the Companies) to retain attorneys to seek judgment on this Agreement and the Notes. Each Lender agrees with the other Lenders that it will not, without the consent of the other Lenders, separately seek to institute any legal action with respect to the Loan; provided that following the maturity of the Notes (whether by acceleration or at stated maturity), each Lender may, without the concurrence of the other Lenders, separately seek to institute any legal action with respect to the Loan.

10.4 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Agents or any other Lender and based on the financial statements referred to in Section 5.4 hereof and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agents or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the Notes.

10.5 Agents. Agents shall have the same rights and powers under this Agreement and the Notes as any other Lender and may exercise the same as though it were not the Agents; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include Agents in its individual capacity. Agents may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with the Company as if Agents were not the Agents and without any duty to account therefor to the Lenders.

10.6 Assignments and Participations. (a) No Lender may assign to any other Person any portion of its interests, rights and obligations under this Agreement (including, without limitation, any portion of its Commitment or the Loan at the time owing to it and Note held by it) unless each of the following conditions is or has been satisfied: (i) each of the Documentation Agent and Administrative Agent have given its prior written consent (which consent will not be unreasonably withheld), (ii) unless an Event of Default has occurred and is continuing, and except in the case of an assignment to an existing Lender, the

Company has given its prior written consent (which consent will not be unreasonably withheld), (iii) each such assignment is of a constant, and not a varying, percentage of all the assigning Lender's rights and obligations under this Agreement, (iv) the assignment is for a Commitment of \$5,000,000 or more, (v) the parties to such assignment have executed and delivered to the Documentation Agent an Assignment and Acceptance, substantially in the form of Exhibit "D" hereto (the "Assignment and Acceptance"), together with any Note subject to such assignment, one or more signature pages to this Agreement containing the signature of the assignee, and (following the Effective Date) payment by the assignee to the Documentation Agent for its own account of an assignment administration fee in the amount of \$3,500, (vi) the Documentation Agent shall have delivered to the Company a copy of such fully-executed Assignment and Acceptance, and (vii) the assignee is (A) a state or national commercial bank located in the United States or (B) a bank organized under a jurisdiction other than the United States, provided that such foreign bank has provided the Documentation Agent and the Company with the tax forms prescribed in Section 11.6(c) hereof, and provided further that such foreign bank shall not transfer its interests, rights and obligations under this Agreement to any Affiliate of such foreign bank unless such Affiliate provides the Documentation Agent and the Company with the aforesaid tax forms. Upon satisfaction of each of the foregoing conditions and upon acceptance and notation by the Documentation Agent, from and after the effective date specified in each Assignment and Acceptance, which effective date shall be at least five (5) Business Days after the execution thereof, (x) the assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender, and (y) the assigning Lender shall, to the extent provided in such assignment, be released from its obligations under this Agreement. Notwithstanding the foregoing, the restrictions contained above in this Section 10.6(a) shall not apply to assignments to any Federal Reserve Bank, and the conditions set forth in clauses (i) and (ii) above shall not apply to assignments by any Lender to any Person which controls, is controlled by, or is under common control with, or is otherwise substantially affiliated with that Lender.

(b) Upon its receipt of an Assignment and Acceptance executed by the parties to such assignment together with any Note or Notes subject to such assignment and the written consent of the Documentation Agent, Administrative Agent and the Company to such assignment, the Documentation Agent shall give prompt notice thereof to the Company and the Lenders. Within five

-28-

(5) Business Days after receipt of such notice, the Company at its own expense, shall execute and deliver to the Documentation Agent, in exchange for the surrendered Note, a new Note or Notes to the order of such assignee(s) in an amount equal to the amount assumed by such assignee(s) pursuant to such Assignment and Acceptance and, if the assigning Lender has retained some portion of its obligations hereunder, a new Note or Notes to the order of the assigning Lender in an amount equal to the amount retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of the surrendered Note, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in the form of the assigned Note. The surrendered Note shall be cancelled and returned to the Company. The Documentation Agent shall have the right to substitute a revised Exhibit B hereto to reflect the respective Commitments following each such assignment.

(c) Each Lender, without the consent of the Company or the Agents, may sell participations to one or more banks in all or a portion of its Loans (including its Commitment) under this Agreement, provided that the selling Lender shall retain the sole right and responsibility to enforce the obligations of the Companies relating to such Loans and that the only rights granted to the participant pursuant to such participation arrangements with respect to waivers, amendments or modifications of this Agreement shall be the right to approve waivers, amendments, or modifications which require the consent of all of the Lenders as provided in Section 11.12 hereof.

Section 10.7 Indemnification of the Agents. The Lenders ratably (computed by reference to each Lender's respective Commitment) shall indemnify each Agent, the Co-Arrangers, their respective affiliates and the respective shareholders, directors, officers, employees, agents and counsel of the foregoing (each an "Agent Indemnitee") and hold each Agent Indemnitee harmless from and against any and all claims (whether groundless or otherwise), liabilities, losses, damages,

costs and expenses of any kind, including, without limitation, (i) the reasonable fees and disbursements of counsel and (ii) any expenses for which the Agents have not been reimbursed by the Companies as required by this Agreement), which may be incurred by such Agent Indemnatee arising out of or related to this Agreement or the transactions contemplated hereby, or the Agents' actions taken hereunder; provided that no Agent Indemnatee shall have the right to be indemnified hereunder for such Agent Indemnatee's own gross negligence or willful misconduct, as determined by a court of competent jurisdiction, or to the extent that such claim relates to the breach by such Agent Indemnatee of its obligations under this Agreement.

Section 11. General.

11.1 Definitions. As used in this Agreement, terms used herein with initial capital letters shall have the following meanings, unless defined elsewhere in this Agreement or unless the context clearly indicates otherwise:

"Acquisition" shall mean the acquisition by the Company and/or one or more of its Domestic Subsidiaries of approximately 27 vessels from ENSCO International (or an Affiliate thereof) for a cash purchase price of approximately \$79,000,000.

-29-

"Administrative Agent" shall mean Fleet National Bank, or its successor selected pursuant to Section 10.1 hereof

"Advances" shall mean amounts advanced and outstanding on the Term Loan.

"Agent Indemnatee" shall have the meaning specified in Section 10.7 hereof.

"Affiliate" shall mean, as to any Person, any Subsidiary of such Person and any other Person which, directly or indirectly, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" shall mean the possession of the power to direct or cause the direction of management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and an Affiliate of any of the Companies includes, without limitation, any officer or director of such corporation and any Person who beneficially owns, directly or indirectly, 10% or more of the issued outstanding capital stock of such corporation.

"Agents" shall mean Fleet National Bank and Bank One, NA.

"Agents Fee Agreement" shall mean any agreement among the Agents and the Company from time to time relating to the compensation of the Agents in connection with the preparation, negotiation, syndication and administration of the Credit Facility.

"Agreement" shall mean this Term Loan Agreement, as it may be amended and restated, modified and/or supplemented from time to time.

"Applicable Base Rate Margin" shall mean the following per annum interest rate applicable to Base Rate Advances from time to time depending on the Funded Debt to Total Capitalization Ratio Level of the Company:

Level	Applicable Base Rate Margin
-----	-----
Level I	0.000%
Level II	0.000%
Level III	0.000%

The Applicable Base Rate Margin for any fiscal quarter shall be determined by reference to the Funded Debt to Total Capitalization Ratio as of the last day of the second fiscal quarter prior to the quarter for which the Applicable Base Rate Margin is determined. For example, the Applicable Base Rate Margin for the fiscal quarter beginning April 1, 2003 shall be determined on the basis of the Funded Debt to Total Capitalization Ratio of the Company as of December 31, 2002.

"Applicable Eurodollar Rate Margin" shall mean the following per annum interest rate applicable to Eurodollar Rate Advances from time to time depending on the Funded Debt to Total Capitalization Ratio Level of the Company:

Level	Applicable Eurodollar Rate Margin
-----	-----
Level I	0.850%
Level II	0.975%
Level III	1.100%

The Applicable Eurodollar Rate Margin for any fiscal quarter shall be determined by reference to the Funded Debt to Total Capitalization Ratio as of the last day of the second fiscal quarter prior to the quarter for which the Applicable Eurodollar Rate Margin is determined. For example, the Applicable Eurodollar Rate Margin for the fiscal quarter beginning April 1, 2003 shall be determined on the basis of the Funded Debt to Total Capitalization Ratio of the Company as of December 31, 2002.

"Assignment and Acceptance" shall have the meaning specified in Section 10.6 hereof.

"Bankruptcy Law" shall have the meaning specified in Section 9.1(h) hereof.

"Base Rate" shall mean the greater of (i) the Prime Rate or (ii) the Federal Funds Rate plus 0.5%.

"Base Rate Advances" shall mean advances bearing interest at the Base Rate plus the Applicable Base Rate Margin.

"Base Rate Tranche" shall mean any part of the principal amount of the Loans that constitutes Base Rate Advances.

"Borrowing Subsidiaries" shall mean Point Marine, L.L.C., Twenty Grand Marine Service, L.L.C., Twenty Grand Offshore, Inc. and Zapata Gulf Marine Operators, L.L.C.

"Business Day" shall mean any day other than a Saturday, a Sunday or a day on which commercial banks in New Orleans, Louisiana (or London, England in the case of Eurodollar Rate Advances or payments) are required or authorized to be closed.

"Canadian Subsidiary" shall mean any Subsidiary organized under the laws of Canada or any province thereof.

"Capital Asset" shall mean any asset other than a current asset (as determined in accordance with generally accepted accounting principles).

"Capitalized Lease Obligation" shall mean any rental obligation which, under generally accepted accounting principles, is or will be required to be capitalized on the books of the Company or any Subsidiary, taken at the amount thereof accounted for as indebtedness (net of interest expense) in accordance with such principles, on a consolidated basis.

"CERCLA" shall mean the Comprehensive Environmental Response Compensation and Liability Act, as amended.

"CERCLIS" shall mean the Comprehensive Environmental Response Compensation and Liability Inventory System established pursuant to CERCLA.

"Co-Arrangers" shall mean Fleet Securities, Inc. and Banc One Capital Markets, Inc.

"Code" shall have the meaning specified in Section 5.10.

"Commitments" shall mean the Line of Credit Commitments.

"Company" shall mean Tidewater Inc.

"Companies" shall mean the Company and the Domestic Subsidiaries.

"Consolidated EBITDA" shall mean Consolidated Net Income of the Company and

its Subsidiaries, plus (i) interest expense, (ii) tax expense and (iii) depreciation and amortization expense, to the extent that any of such items are deducted from consolidated gross revenues of the Company and its Subsidiaries for the purpose of determining Consolidated Net Income.

"Consolidated Fixed Charge" shall mean the sum of all scheduled payments of principal and interest due (and whether or not paid) on all Consolidated Funded Debt of the Company and its Subsidiaries for the preceding 12 months, under which the Company or any of its Subsidiaries is the obligor, on a consolidated basis.

"Consolidated Funded Debt" shall mean the sum of (i) the aggregate principal amounts outstanding on all indebtedness of the Companies for borrowed money and all obligations of the Companies evidenced by notes, debentures, bonds or similar instruments; and (ii) all Capitalized Lease Obligations (excluding any obligation to purchase any asset at the end of a lease term until such asset is so purchased), all determined in accordance with generally accepted accounting principles on a consolidated basis.

"Consolidated Net Income" shall mean, for any period, the consolidated net income of the Company and its Subsidiaries (excluding unusual, extraordinary and/or non-recurring income and/or losses) determined on a consolidated basis in accordance with generally accepted accounting principles.

"Consolidated Stockholders' Equity" shall mean total stockholders' equity of the Company, on a consolidated basis, as shown on the Company's financial statements prepared in accordance with generally accepted accounting principles determined as of the last day of each fiscal quarter.

"Credit Facility" shall mean the Term Loans.

"Debt" shall mean, without duplication, (a) any obligation for borrowed money (and any notes payable and drafts accepted representing extensions of credit whether or not representing

-32-

obligations for borrowed money); (b) any obligation secured by a Lien on, or payable out of the proceeds of production from, property of the Company or any Subsidiary (even though such obligation shall not be assumed by the Company or such Subsidiary); and (c) any obligation, which under generally accepted accounting principles is shown on the balance sheet as a liability (including, without limitation, Capitalized Lease Obligations and excluding reserves for deferred income taxes and for foreign employee service indemnities and other reserves to the extent that such reserves do not constitute an obligation); (d) amounts equal to the aggregate net rentals (after making allowance for any interest, taxes or other expenses included therein) under any lease (whether or not such rentals accrue and become payable only on an annual or other periodic basis) which lease (i) constitutes the substantial equivalent of a purchase of the property subject to such lease, (ii) has an initial term materially less than the useful life of such property and provides that the lessee has the option to renew such lease for the remaining useful life of such property at a rental which at the inception of such lease appears to be substantially less than the fair rental value of such property, or (iii) provides an option to the lessee to acquire the property subject to such lease at a price which, at the inception of such lease, appears to be substantially less than the probable fair value of such property at the time or times of permitted acquisition by the lessee; (e) guarantees, endorsements (other than endorsements of negotiable instruments for collection in the ordinary course of business) and other contingent liabilities (whether direct or indirect) in connection with the obligations, stock or dividends of any Person; (f) obligations under any contract providing for the making of loans, advances or capital contributions to any Person, or for the purchase of any property from any Person, in each case in order to enable such Person primarily to maintain working capital, net worth or any other balance sheet condition or to pay debts, dividends or expenses; (g) obligations under any contract for the purchase of materials, supplies or other property if such contract (or any related document) requires that payment for such materials, supplies or other property shall be made regardless of whether or not delivery of such materials, supplies or other property is ever made or tendered; (h) obligations under any contract to rent or lease (as lessee) any real or personal property if such contract (or any related document) provides that the obligation to make payments thereunder is absolute and unconditional under conditions not customarily found in commercial leases then in general use

or requires that the lessee purchase or otherwise acquire securities or obligations of the lessor; (i) obligations under any contract for the sale or use of materials, supplies or other property if such contract (or any related document) requires that payment for such materials, supplies or other property, or the use thereof, shall be subordinated to any indebtedness (of the purchaser or user of such materials, supplies or other property) owed or to be owed to any Person; and (j) obligations under any other contract which, in economic effect, is substantially equivalent to a guarantee; all as determined in accordance with generally accepted accounting principles.

"Default" shall have the meaning specified in the definition of Event of Default hereinafter.

"Documentation Agent" shall mean Bank One, NA.

"Domestic Subsidiary" shall mean any Subsidiary organized under the laws of any State of the United States, including any Borrowing Subsidiary and any Non-Borrowing Subsidiary.

-33-

"EBITDA to Fixed Charge Ratio" shall mean the ratio of (i) Consolidated EBITDA for the immediately preceding four consecutive fiscal quarters, less the tax expense for taxes actually paid during such period to (ii) Consolidated Fixed Charge for such period.

"Effective Date" shall have the meaning specified in the introductory paragraph of this Agreement.

"Environmental Authority" shall mean any foreign, federal, state, local or regional government that exercises any form of jurisdiction or authority under any Environmental Requirement.

"Environmental Judgments and Orders" shall mean all judgments, decrees or orders arising from or in any way associated with any Environmental Requirements, whether or not entered upon consent or written agreements with an Environmental Authority or other entity arising from or in any way associated with any Environmental Requirement, whether or not incorporated in a judgment, decree or order.

"Environmental Liabilities" shall mean any liabilities, whether accrued or contingent, arising from or relating in any way to any Environmental Requirements.

"Environmental Notices" shall mean any written communication from any Environmental Authority stating possible or alleged noncompliance with or possible or alleged liability under any Environmental Requirement, including without limitation any complaints, citations, demands or requests from any Environmental Authority for correction of any purported violation of any Environmental Requirements or any investigation concerning any purported violation of any Environmental Requirements. Environmental Notices also means (i) any written communication from any private Person threatening litigation or administrative proceedings against or involving any Company relating to an alleged violation of any Environmental Requirements and (ii) any complaint, petition or similar documents filed by any private Person commencing litigation or administrative proceedings against or involving any Company relating to alleged violation of any Environmental Requirements.

"Environmental Proceedings" shall mean any judicial or administrative proceedings arising from or in any way associated with any Environmental Requirement.

"Environmental Releases" shall mean releases (as defined in CERCLA or under any applicable state or local environmental law or regulation) of Hazardous Materials. Environmental Releases do not include releases for which no remediation or reporting is required by applicable Environmental Requirements and which do not present a danger to health, safety or the environment.

"Environmental Requirements" shall mean any applicable local, state or federal law, rule, regulation, permit, order, decision, determination or requirement relating in any way to Hazardous Materials or to the protection of human health or the environment.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"Eurodollar Rate" means during any Eurodollar Rate Interest Period for any Tranche, an interest rate per annum equal to the quotient (converted to a percentage) of (i) the rate per annum as determined by the Administrative Agent at or about 9:00 o'clock A.M. (Eastern time) (or as soon thereafter as practicable) on the second Business Day prior to the first day of each Eurodollar Rate Interest Period, as being the rate at which deposits of United States Dollars are offered to the Administrative Agent in the London inter-bank market by the Reference Banks, at the time of determination and in accordance with the normal practice in such market, for delivery on the first day of such Eurodollar Rate Interest Period and for the number of days comprised therein, in amounts equal (as nearly as may be) to the amount of the Tranche as of the first day of such Eurodollar Rate Interest Period, divided by (ii) 1.00 minus the Eurodollar Rate Reserve Requirement (as defined below), expressed as a decimal, for such Eurodollar Rate Interest Period. "Eurodollar Rate Reserve Requirement" shall mean for any day during a Eurodollar Rate Interest Period for any Eurodollar Rate Tranche, that percentage which is specified by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, but not limited to, any marginal reserve requirement) for the Lenders with respect to liabilities consisting of or including "Eurocurrency liabilities" (as defined in Regulation D of the Board of Governors of the Federal Reserve System) with a maturity equal to such Eurodollar Rate Interest Period. In determining the percentage, the Administrative Agent may use any reasonable averaging and attribution methods. "Reference Banks" shall mean (i) the principal London offices of the banks shown on page 16 of the Telerate screen (or such other page as may replace the Eurodollar page on that service for the purpose of displaying London interbank offered rates of major banks), in the case of Eurodollar Rate Interest Periods of 1 month, 2 months, 3 months or 6 months. "Eurodollar Rate Interest Period" shall be the period between the Business Day on which the Eurodollar Rate plus the Applicable Eurodollar Rate Margin shall begin and the day on which the Eurodollar Rate plus the Applicable Eurodollar Rate Margin shall end. The duration of each Eurodollar Rate Interest Period for a Eurodollar Rate Advance shall be 1 month, 2 months, 3 months or 6 months as the Company may select, subject to the following: (i) no Eurodollar Rate Interest Period shall extend past the maturity date of the Term Notes; (ii) whenever the last day of any Eurodollar Rate Interest Period would otherwise occur on a day other than a Business Day, the last day of such Eurodollar Rate Interest Period shall be extended to occur on the next succeeding Business Day, except that if the next succeeding Business Day would occur in the next following calendar month, the last day of such Eurodollar Rate Interest Period shall be shortened to occur on the next preceding Business Day; and (iii) Eurodollar Rate Tranches outstanding under each Term Loan may not at any time exceed the aggregate principal amount outstanding on such respective Term Loan.

"Eurodollar Rate Advances" shall mean Advances bearing interest at the Eurodollar Rate plus the Applicable Eurodollar Rate Margin.

"Eurodollar Rate Interest Period" shall have the meaning specified in the definition of Eurodollar Rate.

"Eurodollar Rate Tranche" shall mean any part of the principal amount of the Loans that constitutes Eurodollar Rate Advances for a specific Eurodollar Rate Interest Period.

"Event of Default" shall mean any of the events specified in Section 9, provided that there has been satisfied any requirements in connection with such event for the giving of notice, or the lapse of time, or the happening of any further condition, event or act, and "Default" shall mean any of such events, whether or not any such requirement has been satisfied.

"Federal Funds Rate" shall mean the rate per annum (rounded upward, if necessary, to the nearest 1/100/th/ of 1%) equal to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day, as published by

the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Fleet National Bank, Boston, Massachusetts on such day on such transactions as determined by the Administrative Agent.

"Foreign Subsidiary" shall mean any Subsidiary other than a Domestic Subsidiary.

"Funded Debt" shall mean Consolidated Funded Debt.

"Funded Debt to EBITDA Ratio" shall mean the ratio of (i) Consolidated Funded Debt determined as of the last day of each fiscal quarter, to (ii) Consolidated EBITDA for the immediately preceding four consecutive fiscal quarters.

"Funded Debt to Total Capitalization Ratio" shall mean the ratio of (i) Consolidated Funded Debt to (ii) the sum of Consolidated Funded Debt plus Consolidated Stockholders' Equity.

"Hazardous Materials" includes, without limitation (a) hazardous waste as defined in the Resource Conservation and Recovery Act of 1976, or in any applicable state or local law or regulation, (b) hazardous substances, as defined in CERCLA, or in any applicable state or local law or regulation, (c) gasoline, or any other petroleum product or by-product, (d) toxic substances, as defined in the Toxic Substances Control Act of 1976, or in any applicable state or local law or regulation or (e) insecticides, fungicides, or rodenticides, as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975, or in any applicable state or local law or regulation, as each such Act, statute or regulation may be amended from time to time.

"Identified Subsidiaries" shall mean each of Tidewater Marine, L.L.C.; Tidewater Marine Alaska, Inc.; Point Marine, L.L.C.; Twenty Grand Marine Service, L.L.C.; Twenty Grand Offshore, Inc.; Zapata Gulf Marine L.L.C.; and Zapata Gulf Marine Operators, L.L.C.

"Lease Rental Expenses" shall mean lease rentals payable by the Company or any Subsidiary pursuant to any agreements to rent or lease any real or personal property (excluding rentals or leases

-36-

of data processing equipment and sales offices, rentals treated as Debt and rentals of real property which have been subleased to others by the Company or any Subsidiary for the remaining term of such leases at rents at least equal to those payable by the Company or any Subsidiary).

"Lender Indemnitee" shall have the meaning specified in Section 11.5(b) hereof.

"Lenders" shall be the financial institutions listed on Exhibit B hereto, together with any other financial institutions which become a party to this Agreement and the holder of a Note, from time to time.

"Level" shall mean the following levels based on the Funded Debt to Total Capitalization Ratio indicated:

Funded Debt to Total Capitalization Ratio	Level
-----	-----
Less than 25%	I
25% through 32.49%	II
32.5% through 39.99%	III

"Lien" shall mean any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of any financing statement under the Uniform Commercial Code of any jurisdiction) or any other type of preferential arrangement for the purpose of, or having the effect of protecting a creditor against loss or securing the payment or preference of any obligation. "Liens" shall not include unsecured guarantees.

"Loan" shall mean the Term Loan.

"Maturity Date" shall mean July 31, 2004, or such extended date as the Borrower, the Agents and all of the Lenders shall agree and evidenced by a modification of the Term Notes, the issuance of renewal Term Notes, or the amendment of this Agreement.

"Multiemployer Plan" shall have the meaning specified in Section 5.10.

"Non-Borrowing Subsidiaries" shall mean the Domestic Subsidiaries, excluding the Borrowing Subsidiaries.

"Notes" shall mean the Term Notes and any and all modifications, amendments, supplements, renewals, rearrangements and/or extensions thereof.

"PBGC" shall mean the Pension Benefit Guaranty Corporation.

"Plan" shall have the meaning specified in Section 5.10 hereof.

-37-

"Persons" shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, an unincorporated organization and a government or any department or agency thereof.

"Prime Rate" shall mean the rate of interest announced publicly by Fleet National Bank, from time to time as its prime or base rate.

"Properties" means all real property owned, leased or otherwise used or occupied by the Company or any Subsidiary, wherever located.

"Reimbursable Taxes" shall have the meaning specified in Section 3.2(f) hereof.

"Required Lenders" shall mean at least two Lenders holding a majority of the aggregate principal amount of the Notes.

"Restricted Investments" shall have the meaning set forth in Section 6.9 hereof.

"Revolving Credit Facility" shall have the meaning set forth in Section 1.2 hereof.

"Subsidiary" shall mean any corporation all of the stock of every class of which, except directors' qualifying shares, shall, at the time as of which any determination is being made, be beneficially owned or effectively controlled by the Company, either directly or through Subsidiaries.

"Term Loan" shall have the meaning specified in Section 1.1 hereof.

"Term Loan Commitments" shall have the meaning specified in Section 1.

"Term Notes" shall have the meaning specified in Section 2.2 hereof.

"Third Party" shall mean all lessees, sublessees, licensees and other users of the Properties, excluding those users of the Properties in the ordinary course of the Company's business (consistent with its practices on the date of this Agreement) and on a temporary basis.

"Tranche" shall mean a part of the Term Loan that bears interest at a particular rate depending on whether such tranche is a Eurodollar Rate Tranche or Base Rate Tranche.

11.2 Financial Terms. Unless otherwise defined or the context otherwise requires, all financial and accounting terms shall be defined under generally accepted accounting principles.

11.3 Delay. No delay on the part of the Lenders or any holder of the Notes, in the exercise of any power or right shall operate as a waiver thereof, nor shall any single or partial exercise of any power or right preclude other or further exercise thereof, or the exercise of any other power or right. The remedies herein provided are cumulative and not exclusive of any remedies

provided by law (except to the extent waived by Section 9.3 hereof).

-38-

11.4 Notices. Any notice or demand which, by any provision of this Agreement, is required or permitted to be given or served by any Agent or Lenders to or on the Companies shall be deemed to have been sufficiently given and served for all purposes (if mailed) three calendar days after being deposited, postage prepaid, in the United States mail, registered or certified mail, or (if delivered by express courier) one calendar day after being delivered to such courier, or (if delivered in person) the same day as delivery, in each case addressed (until another address or addresses are given in writing by the Companies to Documentation Agent and Administrative Agent or Lenders) as follows:

Tidewater Inc.
Pan American Life Center - Suite 1900
601 Poydras Street
New Orleans, Louisiana 70130
Attention: Chief Financial Officer

With a copy to:

Tidewater Inc.
Pan American Life Center - Suite 1900
601 Poydras Street
New Orleans, Louisiana 70130
Attention: General Counsel

Any notice or demand which, by any provision of this Agreement, is required or permitted to be given or served by the Companies to or on Administrative Agent or Documentation Agent shall be deemed to have been sufficiently given and served for all purposes (if mailed) three calendar days after being deposited, postage prepaid, in the United States mail, registered or certified mail, or (if delivered by express courier) one calendar day after being delivered to such courier, or (if delivered in person) the same day as delivery, in each case addressed (until another address or addresses are given in writing by Administrative Agent or Documentation Agent to the Companies) as follows:

Administrative Agent:

Fleet National Bank
100 Federal Street
Boston, Massachusetts 02110
Attention: Transportation Division
(Mail Stop MADE10009G)

Documentation Agent:

Bank One, NA
201 St. Charles Avenue, 29th Floor
New Orleans, LA 70170
Attention: Energy Group

-39-

J. Charles Freel, Jr.
Director, Capital Markets

With a copy to:

Philip deV. Claverie, Esq.
Phelps Dunbar, L.L.P.
Canal Place - Suite 2000
365 Canal Street
New Orleans, Louisiana 70130

Any notice or demand which, by any provision of this Agreement, is required or permitted to be given or served by the Companies to or on Lenders shall be deemed to have been sufficiently given and served for all purposes (if mailed) three calendar days after being deposited, postage prepaid, in the United States

mail, registered or certified mail, or (if delivered by express courier) one calendar day after being delivered to such courier, or (if delivered in person) the same day as delivery, in each case addressed (until another address or addresses are given in writing by Lenders to the Companies) to the Lenders at the addresses set forth on Exhibit B hereto.

11.5 Costs, Expenses and Taxes; Indemnification. (a) The Company shall pay on demand the reasonable out-of-pocket costs and expenses of the Agents in connection with the negotiation, syndication, preparation, execution and delivery of this Agreement and any amendments thereto or waivers thereof which may be requested by the Company, including the reasonable fees and out-of-pocket expenses of legal counsel to Agents. The Company shall pay on demand the reasonable out-of-pocket costs and expenses of the Agents and each of the Lenders in connection with the enforcement of this Agreement and/or the Notes and in connection with any amendments thereto or waivers thereof which may be requested by the Company during the continuance of, or to avoid, a Default or Event of Default, including any amendments or waivers tantamount to a refinancing, restructuring, or reorganization (whether or not under any Bankruptcy Law). The out-of-pocket costs and expenses referred to in the previous sentence shall include the reasonable fees and out-of-pocket expenses of any legal counsel retained by the Agents or by any Lender, and the reasonable fees and out-of-pocket expenses of any independent public accountants and other outside experts retained by the Agents on behalf of the Lenders. The Lenders agree that, with respect to the retention of separate legal counsel for each Lender under such circumstances, each will consider in good faith whether separate legal counsel is reasonably appropriate under the policies of that Lender and, in any event, endeavor to avoid unreasonable duplication of work effort by such legal counsel. The Company shall pay any and all documentary and other taxes (other than income or gross receipts taxes generally applicable to banks) and shall reimburse, hold harmless, and indemnify the Agents and each Lender from and against any and all loss, liability, or legal or other expense with respect to or resulting from any delay in paying or failure to pay any tax, cost, expense, fee, or charge or that any of them may suffer or incur by reason of the failure of the Companies to perform any of their obligations under this Agreement or the Notes. Any amount payable to the Agents or any Lender under this Section shall bear interest from the date of receipt of demand for payment at the Base Rate plus one percent (1%).

-40-

(b) The Companies shall indemnify each Agent and Lender, their respective affiliates and the respective shareholders, directors, officers, employees, agents and counsel of the foregoing (each a "Lender Indemnitee") and hold each Lender Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Lender Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Lender Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of the Term Loans or any actual or proposed use of proceeds of the Loans hereunder; provided that no Lender Indemnitee shall have the right to be indemnified hereunder for such Lender Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction, or to the extent that such claim relates to the breach by such Lender Indemnitee of its obligations under this Agreement.

11.6 Foreign Lenders. (a) All payments by the Company under the Credit Facility shall be made free and clear of and without deduction for or on account of any present or future income, stamp, or other taxes, fees, duties, withholding or other charges of any nature whatsoever imposed by any taxing authority, excluding in the case of each Lender taxes imposed on or measured by its net income or franchise taxes imposed in lieu of net income taxes by the jurisdiction in which it is organized or through which it acts for purposes of this Agreement.

(b) If as a result of any change in law (or the interpretation thereof) after the Effective Date, any withholding or deduction from any payment to be made to, or for the account of, a Lender by the Companies hereunder is required in respect of any non-excluded taxes referred to in Subsection (a) above pursuant to any applicable law, rule, or regulation, then the Company will (i) pay to the relevant authority the full amount required to be so withheld or deducted; (ii) to the extent available, promptly forward to the Agent an official receipt or other documentation satisfactory to the Documentation Agent

evidencing such payment to such authority; and (iii) pay to the Administrative Agent, for the account of each affected Lender, such additional amount or amounts as are necessary to ensure that the net amount actually received by such Lender will equal the full amount such Lender would have received had no such withholding or deduction been required. Each Lender shall determine such additional amount or amounts payable to it (which determination shall, in the absence of manifest error, be conclusive and binding on the Company). If a Lender becomes aware that any such withholding or deduction from any payment to be made by the Company under the Credit Facility is required, then such Lender shall promptly notify the Documentation Agent and the Company thereof stating the reasons therefor and the additional amount required to be paid under this Section, and such Lender shall execute and deliver to the Documentation Agent and the Company such forms as it may be required to execute and deliver pursuant to Subsection (c) hereof. To the extent that any such withholding or deduction results from the failure of a Lender to provide a form required by Subsection (c) hereof, the Company shall have no obligation to pay the additional amount required by clause (iii) above. Anything in this Section notwithstanding, if any Lender elects to require payment by the Company of any material amount under this Section, the Company may, within 60 days after the date of receiving notice thereof and so long as no Default shall have occurred and be continuing, elect to terminate such Lender as a party to this Agreement; provided that,

-41-

concurrently with such termination, the Company shall (i) if the Documentation Agent and each of the other Lenders shall consent, pay that Lender all principal, interest and fees and other amounts owed to such Lender through such date of termination or (ii) have arranged for another financial institution approved by the Documentation Agent (such approval not to be unreasonably withheld) as of such date, to become a substitute Lender for all purposes under this Agreement in the manner provided for herein; provided further that, prior to substitution for any Lender, the Company shall have given written notice to the Documentation Agent of such intention and the Lenders shall have the option, but not the obligation, for a period of 60 days after receipt of such notice, to increase their Commitments in order to replace the affected Lender in lieu of such substitution.

(c) With respect to each Lender which is organized under the laws of a jurisdiction outside the United States, on the day of the initial borrowing from each such Lender hereunder and from time to time thereafter if requested by the Company or the Documentation Agent, such Lender shall provide the Documentation Agent and the Company with the forms prescribed by the Internal Revenue Service of the United States certifying as to such Lender's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to such Lender hereunder or other documents satisfactory to such Lender and Documentation Agent indicating that all payments to be made to such Lender hereunder are not subject to United States withholding tax. Unless the Documentation Agent and the Company shall have received such forms or such documents indicating that payments hereunder are not subject to United States withholding tax, the Administrative Agent and the Company shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Lender organized under the laws of a jurisdiction outside the United States.

11.7 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

11.8 Counterparts. This Agreement may be executed in as many counterparts as may be deemed necessary or convenient, and by the different parties hereto on separate counterparts, each of which, when so executed, shall be deemed an original but all such counterparts shall constitute but one and the same instrument.

11.9 Law. This Agreement and the Notes shall be contracts made under and governed by the laws of the State of Louisiana.

11.10 Successors. This Agreement shall be binding upon the Companies and Lenders, and their respective successors and assigns, and shall inure to the benefit of the Companies and Lenders, and the successors and assigns of Lenders. The Companies shall not assign their rights or duties hereunder without the

consent of Lenders.

-42-

11.11 Singular and Plural. Words used herein in the singular, where the context so permits, shall be deemed to include the plural and vice versa. The definition of words in the singular herein shall apply to such words when used in the plural where the context so permits and vice versa.

11.12 Amendments. No amendment or waiver of any provision of this Agreement or consent to any departure therefrom by the Companies or Lenders shall be effective unless the same shall be in writing and signed by the Companies, the Agents and the Required Lenders, provided that, without the written consent of all of the Lenders, no amendment to this Agreement shall (i) change the maturity of any Note, or (ii) change the principal of or the rate or time of payment of interest or any premium payable with respect to any Note, or (iii) increase the Commitments, or (iv) release any of the Companies, or affect the time, amount or allocation of any required prepayments, or (v) reduce the proportion of the Required Lenders required with respect to any consent, or (vi) change the definition of Required Lenders or amend this Section 11.12. No course of dealing between any of the Companies and the Lenders nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any of the Lenders. In the case of a waiver or consent, such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

11.13 Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes any and all prior agreements with respect to the transactions contemplated hereby.

[Signatures on Following Pages]

-43-

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first written above.

COMPANY: TIDEWATER INC.

By: _____
Name: J. Keith Lousteau
Title: Senior Vice President, Chief
Financial Officer and Treasurer

BORROWING SUBSIDIARIES: POINT MARINE, L.L.C.
TWENTY GRAND MARINE SERVICE, L.L.C.
TWENTY GRAND OFFSHORE, INC.
ZAPATA GULF MARINE OPERATORS, L.L.C.

By: _____
Name: J. Keith Lousteau
Title: Authorized Representative

NON-BORROWING SUBSIDIARIES: GULF FLEET SUPPLY VESSELS, L.L.C.
HILLIARD OIL & GAS, INC.
JACKSON MARINE, L.L.C.
JAVA BOAT CORPORATION
QUALITY SHIPYARDS, L.L.C.
S.O.P., INC.
SEAFARER BOAT CORPORATION
T. BENETEE, L.L.C.
TIDEWATER OFFSHORE (GP-1984), INC.
TIDEWATER MARINE, L.L.C.
TIDEWATER MARINE ALASKA, INC.
TIDEWATER MARINE SERVICE, INC.
TIDEWATER MARINE WESTERN, INC.
TT BOAT CORPORATION
TWENTY GRAND (BRAZIL), L.L.C.

ZAPATA GULF MARINE, L.L.C.
ZAPATA GULF PACIFIC, L.L.C.

By: s/s J. Keith Lousteau

Name: J. Keith Lousteau
Title: Authorized Representative

-44-

ADMINISTRATIVE AGENT:

FLEET NATIONAL BANK
Agent and Lender

By: s/s William Latham

Name: William Latham
Title: Director

-45-

DOCUMENTATION AGENT:

BANK ONE, NA (Chicago Main Office),
Agent and Lender

By: s/s J. Charles Freel, Jr.

Name: J. Charles Freel, Jr.
Title: Director, Capital Markets

-46-

EXHIBIT 21**LIST OF SUBSIDIARIES**

<u>NAME</u>	<u>STATE OR JURISDICTION OF INCORPORATION</u>	<u>PERCENTAGE OF VOTING SECURITIES OWNED</u>
Al Wasl Marine LLC	Dubai	49%
Antilles Marine Service Limited	Trinidad & Tobago	50%
Candies Tidewater Joint Venture, L.L.C.	Louisiana	50%
Compania Marítima de Magallanes Limitada	Chile	100%
Divetide Limited	Thailand	49%
Equipo Mara, C.A.	Venezuela	19.9%
Equipo Zulia, C.A.	Venezuela	100%
Fairway Personnel Services Limited	England	100%
Four Star Marine, Inc.	Louisiana	49%
Gulf Fleet Abu Dhabi	Abu Dhabi	49%
Gulf Fleet Middle East, Inc.	Panama	100%
Gulf Fleet N.V.	Netherlands Antilles	100%
Gulf Fleet Supply Vessels, L.L.C.	Louisiana	100%
Hilliard Oil & Gas, Inc.	Nevada	100%
Hombeck Shipping Limited	Isle of Man	100%
Hombeck Support Ships Limited	Isle of Man	100%
Jackson Marine, L.L.C.	Louisiana	100%
Jackson Marine, S.A.	Panama	100%
Java Boat Corporation	Louisiana	100%
Lamnalco-Tidewater Marine Service Limited	Vanuatu	50%
Mare Alta do Brasil Navegacao Ltda.	Brazil	100%
Marine Offshore Services Private Limited	India	100%
Mashhor Marine Sdn. Bhd.	Brunei	70%
Niugini Offshore Services Joint Venture (unincorporated)	New Guinea	50%
O.I.L. (Nigeria) Limited	Nigeria	82.1%
Offshore Pacific Pty. Ltd.	Vanuatu	100%
OSA do Brasil Representações Ltda.	Brazil	100%
Pacific Tidewater Pty. Ltd.	Australia	100%
Pan Marine International, Inc.	Cayman Islands	100%
Pan Marine do Brasil Ltda.	Brazil	100%
Pental Insurance Co. Ltd.	Bermuda	100%
Point Marine, L.L.C.	Louisiana	100%
Provident Marine Ltd.	Turks & Caicos	50%
Quality Shipyards, L.L.C. .	Louisiana	100%
Remolcadores y Gabarras Remigasa, S.A.	Venezuela	19.9%
Rem-Tide AS	Norway	50%
S.O.P., Inc.	Louisiana	100%
Seafarer Boat Corporation	Louisiana	100%
Servicios de Abastecimientos Mexicanos, S. de R.L. de C.V.	Mexico	100%
Servicios Marítimos del Carmen, S.A. de C.V.	Mexico	100%
Servicios Marítimos Ves, S. de R.L. de C.V.	Mexico	100%
Servicios y Representaciones Marítimas Mexicanas, S.A. de C.V.	Mexico	100%
Solo Fleet Sdn. Bhd.	Malaysia	33%
Solo Fleet Two Sdn. Bhd.	Malaysia	49%
Solo Support Sdn. Bhd.	Malaysia	100%
Sonatide Marine, Ltd.	Cayman Islands	49%

NAME	STATE OR JURISDICTION OF INCORPORATION	PERCENTAGE OF VOTING SECURITIES OWNED
Southern Ocean Services Pte. Ltd.	Singapore	100%
T. Benetee L.L.C.	Louisiana	100%
Thabet and O.I.L. Co. Ltd.	Yemen	30%
Tidewater Australia Pte. Ltd.	Australia	100%
Tidewater Caribe, C.A.	Venezuela	100%
Tidewater Crewing Limited	Cayman Islands	100%
Tidewater Foreign Sales Corporation	Barbados	100%
Tidewater Marine Service (Malaysia) Sdn. Bhd.	Malaysia	100%
Tidewater Marine Alaska, Inc.	Alaska	100%
Tidewater Marine Australia Pty Ltd	Australia	100%
Tidewater Marine International Pte. Ltd.	Singapore	100%
Tidewater Marine International, Inc.	Panama	100%
Tidewater Marine North Sea Limited	England	100%
Tidewater Marine Service (M) Sdn. Bhd.	Malaysia	49%
Tidewater Marine Service, C.A. (SEMARCA)	Venezuela	100%
Tidewater Marine Service, Inc.	Louisiana	100%
Tidewater Marine West Indies Limited	Bahama Islands	100%
Tidewater Marine Western, Inc.	Texas	100%
Tidewater Marine, L.L.C.	Louisiana	100%
Tidewater Offshore (GP-1984), Inc.	Delaware	100%
Tidewater Offshore Sdn Bhd	Malaysia	49%
Tidewater Vessels Limited	Cayman Islands	100%
Tidex Nigeria Limited	Nigeria	60%
Tidex/OTS Nigeria Limited (unincorporated)	Nigeria	50%
TT Boat Corporation	Louisiana	100%
Twenty Grand (Brazil), L.L.C	Louisiana	100%
Twenty Grand Marine Service, L.L.C. .	Louisiana	100%
Twenty Grand Offshore, Inc.	Louisiana	100%
VTG Supply Boat Liberia Inc.	Liberia	100%
Zapata Gulf Indonesia Limited	Vanuatu	80%
Zapata Gulf Marine International Limited	Vanuatu	100%
Zapata Gulf Marine L.L.C.	Louisiana	100%
Zapata Gulf Marine Operators, L.L.C.	Louisiana	100%
Zapata Gulf Pacific, L.L.C	Louisiana	100%
Zapata Marine Service (Nigeria) Limited	Nigeria	100%
Zapata Serviços Marítimos Ltda.	Brazil	100%

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements (Forms S-8 No. 33-63094, No. 33-38240, No. 333-32729, No. 333-47687 and No. 333-66054) of Tidewater Inc. of our report dated April 21, 2003, with respect to the consolidated financial statements and schedule of Tidewater Inc. included in this Annual Report (Form 10-K) for the year ended March 31, 2003.

Ernst & Young LLP

New Orleans, Louisiana
April 21, 2003