GLOBAL INDUSTRIES LTD
Form 10-Q
May 06, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2010

OR

o **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: 0-21086

Global Industries, Ltd.

(Exact name of registrant as specified in its charter)

Louisiana	**72-1212563**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8000 Global Drive	
Carlyss, Louisiana	**70665**
(Address of principal executive offices)	(Zip Code)

(337) 583-5000

(Registrant s telephone number, including area code)

None

(Former name, former address and former fiscal year, if changes since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES þ NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES o NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO þ

The number of shares of the registrant s common stock outstanding as of May 4, 2010, was 114,901,953.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Global Industries, Ltd.

We have reviewed the accompanying condensed consolidated balance sheet of Global Industries, Ltd. and subsidiaries (the Company) as of March 31, 2010, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended March 31, 2010 and 2009. These interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2009, and the related consolidated statements of operations, shareholders equity, and cash flows for the year then ended (not presented herein); and in our report dated February 26, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2009 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ DELOITTE & TOUCHE LLP
May 6, 2010
Houston, Texas

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GLOBAL INDUSTRIES, LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current Assets		
Cash and cash equivalents	$ 307,022	$ 344,855
Restricted cash	4,014	1,139
Marketable securities	30,750	30,750
Accounts receivable net of allowance of $1,816 for 2010 and $2,765 for 2009	114,501	160,273
Unbilled work on uncompleted contracts	67,543	92,569
Contract costs incurred not yet recognized	3,001	489
Deferred income taxes	2,518	2,945
Assets held for sale	20,671	16,152
Prepaid expenses and other	37,405	31,596
Total current assets	587,425	680,768
Property and Equipment, net	743,426	722,819
Other Assets		
Marketable securities long-term		11,097
Accounts receivable long-term	13,841	12,294
Deferred charges, net	45,719	49,866
Goodwill	37,388	37,388
Other	8,648	9,961
Total other assets	105,596	120,606
Total	$ 1,436,447	$ 1,524,193
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Current maturities of long term debt	$ 3,960	$ 3,960
Accounts payable	132,649	192,008
Employee-related liabilities	16,590	18,079
Income taxes payable	41,898	45,301
Other accrued liabilities	11,951	15,811
Total current liabilities	207,048	275,159
Long-Term Debt	294,581	294,366
Deferred Income Taxes	67,891	69,998

Other Liabilities	16,227	15,171
Commitments and Contingencies		
Shareholders Equity		
Common stock, $0.01 par value, 150,000 shares authorized, and 121,028 and 119,989 shares issued at March 31, 2010 and December 31, 2009, respectively	1,210	1,200
Additional paid-in capital	516,092	513,353
Retained earnings	447,072	468,430
Treasury stock at cost, 6,130 shares	(105,038)	(105,038)
Accumulated other comprehensive loss	(8,636)	(8,446)
Total shareholders equity	850,700	869,499
Total	$ 1,436,447	$ 1,524,193

See Notes to Condensed Consolidated Financial Statements.

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GLOBAL INDUSTRIES, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31	
	2010	**2009**
Revenues	$ 106,811	$ 269,465
Cost of operations	111,060	224,098
Gross profit (loss)	(4,249)	45,367
Loss (gain) on asset disposals and impairments	574	(4,808)
Selling, general and administrative expenses	17,544	19,871
Operating income (loss)	(22,367)	30,304
Interest income	241	574
Interest expense	(2,903)	(3,493)
Other income (expense), net	(427)	2,078
Income (loss) before taxes	(25,456)	29,463
Income tax expense (benefits)	(4,098)	10,432
Net income (loss)	**$** (21,358)	$ 19,031
Earnings (Loss) Per Common Share		
Basic	$ (0.19)	$ 0.17
Diluted	$ (0.19)	$ 0.17
Weighted Average Common Shares Outstanding		
Basic	113,366	113,671
Diluted	113,366	114,062

See Notes to Condensed Consolidated Financial Statements.

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GLOBAL INDUSTRIES, LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31	
	2010	2009
Cash Flows From Operating Activities		
Net income (loss)	$ (21,358)	$ 19,031
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and non-stock-based amortization	11,581	15,629
Stock-based compensation expense	3,494	1,974
Provision for doubtful accounts	(459)	3,066
Gain on sale or disposal of property and equipment	(138)	(4,851)
Derivative (gain) loss	799	
Loss on asset impairments	712	43
Deferred income taxes	(1,569)	(1,854)
Other	561	
Changes in operating assets and liabilities		
Accounts receivable, unbilled work, and contract costs	67,199	(39,508)
Prepaid expenses and other	(5,997)	582
Accounts payable, employee-related liabilities, and other accrued liabilities	(37,952)	(1,617)
Deferred dry-docking costs incurred	(2,231)	(2,535)
Net cash provided by (used in) operating activities	14,642	(10,040)
Cash Flows From Investing Activities		
Proceeds from the sale of assets	202	1,217
Additions to property and equipment	(32,347)	(20,219)
Sale of marketable securities	10,664	
Decrease in (additions to) restricted cash	(2,875)	11,438
Net cash provided by (used in) investing activities	(24,356)	(7,564)
Cash Flows From Financing Activities		
Repayment of long-term debt	(1,980)	(1,980)
Payments on long-term payables for property and equipment acquisitions	(26,031)	
Proceeds from sale of common stock, net	10	
Repurchase of common stock	(529)	
Other		(61)
Net cash provided by (used in) financing activities	(28,530)	(2,041)
Effect of exchange rate changes on cash	411	

Cash and cash equivalents		
Increase (decrease)	(37,833)	(19,645)
Beginning of period	344,855	287,669
End of period	$ 307,022	$ 268,024
Supplemental Disclosures		
Interest paid, net of amounts capitalized	$ 4,935	$ 4,127
Income taxes paid	$ 1,081	$ 4,903
Property and equipment additions included in accounts payable	$ 55,036	$ 36,629

See Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. *General*

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements include the accounts of Global Industries, Ltd. and its subsidiaries (Company, we, us, or our).

In the opinion of our management, all adjustments (such adjustments consisting of a normal and recurring nature) necessary for a fair presentation of the operating results for the interim periods presented have been included in the unaudited Condensed Consolidated Financial Statements. Operating results for the period ended March 31, 2010, are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. These financial statements should be read in conjunction with our audited Consolidated Financial Statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009.

All $ represent U.S. Dollars.

Recent Accounting Pronouncements

ASU No. 2010-09. In February 2010, the FASB issued ASU No. 2010-09 which amends ASC Topic 855 to address certain implementation issues related to an entity s requirement to perform and disclose subsequent events procedures. This guidance requires SEC filers and conduit debt obligors for conduit debt securities that are traded in a public market to evaluate subsequent events through the date the financial statements are issued. All other entities are required to evaluate subsequent events through the date the financial statements are available to be issued. The guidance also exempts SEC filers from disclosing the date through which subsequent events have been evaluated. This guidance was effective upon issuance. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

ASU No. 2010-06. In January 2010, the FASB issued ASU No. 2010-06 which amends ASC Topic 820 to add new disclosure requirements about recurring and nonrecurring fair value measurements including significant transfers into and out of Level 1 and Level 2 fair value measurements and information on purchases, sales, issuances, and settlements on a gross basis in the reconciliation of Level 3 fair value measurements. It also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. This guidance is effective for reporting periods beginning after December 15, 2009, except for the Level 3 reconciliation disclosures which are effective for reporting periods beginning after December 15, 2010. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

SFAS 167. In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities* (ASC Topic 810-10). This updated guidance requires an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. It also requires an ongoing reassessment and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. This update is codified in ASU No. 2009-17 and is effective for our fiscal year beginning January 1, 2010. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

2. ***Restricted Cash***

At March 31, 2010, we had approximately $4.0 million of restricted cash, which included $2.9 million for excess project funds denominated in Indian rupees and held at the Reserve Bank of India related to our Asia Pacific/Middle East segment. These funds can only be repatriated after the project accounts are audited and tax clearance obtained. We expect the period of restriction on this cash will not exceed twelve months and is therefore classified as a current asset on the Condensed Consolidated Balance Sheets. The remaining $1.1 million restricted cash was comprised of cash deposits related to foreign currency exchange arrangements. Restrictions with respect to these deposits will remain in effect until we terminate the associated foreign currency exchange arrangement.

3. ***Marketable Securities***

As of March 31, 2010, we held $30.8 million at par value in auction rate securities which are variable rate bonds tied to short-term interest rates with maturities up to 29 years. Auction rate securities have interest rate resets through a

Dutch auction at predetermined short intervals. Interest rates generally reset every 7-49 days. The coupon interest rate for these securities ranged from 0.32% to 0.75%, on a tax exempt basis for the three months ended March 31, 2010.

Our investments in auction rate securities were issued by municipalities and state education agencies. The auction rate securities issued by state education agencies represent pools of student loans for which repayment is substantially guaranteed by the U.S. government under the Federal Family Education Loan Program. All of our investments in auction rate securities have at least a double A rating. As of March 31, 2010, the par value of auction rate securities issued by state education agencies was $30.0 million and the par value of auction rate securities issued by municipalities was $0.8 million.

Auctions for our auction rate securities continue to fail in 2010. An auction failure, which is not a default in the underlying debt instrument, occurs when there are more sellers than buyers at a scheduled interest rate auction date. This results in a lack of liquidity for these securities, even though debt service continued to occur. When auctions fail, the interest rate is adjusted according to the provisions of the related security agreement. During the three months ended March 31, 2010, we continued to earn and receive scheduled interest on these securities.

Auction Rate Securities under Settlement Agreement In November 2008, we accepted an auction rate security rights agreement (the Settlement) with UBS Financial Services, Inc. (UBS) that permits us to sell, or put, certain auction rate securities back to UBS at par value at any time during the period from June 30, 2010 through July 2, 2012. The Settlement relates to all of our auction rate securities outstanding as of March 31, 2010. We expect to put these auction rate securities back to UBS on June 30, 2010, the earliest date allowable under the Settlement, if not sold prior to that date; therefore, these securities are classified as current as of March 31, 2010. These auction rate securities are classified as trading securities; consequently, we are required to assess the fair value of the Settlement and these auction rate securities and record changes in earnings each period until the Settlement is exercised and the securities are redeemed. As of both March 31, 2010 and December 31, 2009, the fair value of the auction rate securities covered under the Settlement was $28.5 million, a decline of $2.3 million from par value. However, as we will be permitted to put these securities back to UBS at par, the fair value assessment of the Settlement is measured at an offsetting $2.3 million. Since there was no change in the fair market value of these securities between December 31, 2009 and March 31, 2010, there are no gains or losses recognized in the Condensed Consolidated Statement of Operations for the three months ended March 31, 2010. As of March 31, 2009, the fair value of the auction rate securities covered under the Settlement was $25.6 million, a decline of $5.2 million from par value, and an increased impairment of $2.1 million from the $3.1 million impairment recognized at December 31, 2008. We recognized the additional decline in par value as an other-than-temporary impairment and an offsetting $2.1 million gain on the fair value assessment of the Settlement in Other income (expense), net on the Condensed Consolidated Statement of Operations for the three months ended March 31, 2009. Although pursuant to the terms of the Settlement, we have the right to sell the securities back to UBS at par, we will be required to periodically assess the economic ability of UBS to meet that obligation in assessing the fair value of the Settlement.

Auction Rate Securities issued by Municipalities All of our investments in auction rate securities issued by municipalities as of March 31, 2010 are covered under the Settlement. During the quarter ended March 31, 2010, we sold $11.2 million of our auction rate securities issued by municipalities that were not covered under the Settlement for $10.7 million. We recognized the $0.5 million loss on the sale of the securities in Other income (expense), net on the Condensed Consolidated Statement of Operations.

4. ***Derivatives***

We provide services in a number of countries throughout the world and, as a result, are exposed to changes in foreign currency exchange rates. Costs in some countries are incurred, in part, in currencies other than the applicable functional currency. We selectively use forward foreign currency contracts to manage our foreign currency exposure. Our outstanding forward foreign currency contracts at March 31, 2010 are used to hedge (i) cash flows for long-term charter payments on a multi-service vessel denominated in Norwegian kroners, (ii) certain purchase commitments related to the construction of the ***Global 1200*** and ***Global 1201*** in Singapore dollars and (iii) a portion of the operating costs of our Asia Pacific/Middle East segment that are denominated in Singapore dollars.

The Norwegian kroner forward contracts have maturities extending until June 2011 and are accounted for as cash flow hedges with the effective portion of unrealized gains and losses recorded in Accumulated other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. As of March 31, 2010 and December 31, 2009, there were $0.3 million and $0.6 million, respectively, in unrealized gains, net of taxes, in Accumulated other comprehensive income (loss). Included in the

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March 31, 2010 total is approximately $0.3 million which is expected to be realized in earnings during the twelve months following March 31, 2010. As of March 31, 2010, these contracts are included in Prepaid expenses and other and Other assets on the Condensed Consolidated Balance Sheet, valued at $0.5 million and $0.07 million, respectively. As of December 31, 2009, these contracts are included in Prepaid expenses and other and Other assets on the Condensed Consolidated Balance Sheets, valued at $0.7 million and $0.2 million, respectively. For the three months ended March 31, 2010, we recorded $0.2 million in gains related to these contracts which are included in Cost of operations on the Condensed Consolidated Statement of Operations. For the three months ended March 31, 2009, we recorded $0.5 million in losses which are included in Cost of operations on the Condensed Consolidated Statement of Operations.

During the second quarter of 2009, we entered into two forward contracts to purchase 18.9 million Singapore dollars to hedge certain purchase commitments in the first quarter of 2010 related to the construction of the ***Global 1200***. During the first quarter of 2010, we entered into additional forward contracts to purchase 28.8 million Singapore dollars to hedge certain purchase commitments related to the construction of the ***Global 1200*** and ***Global 1201*** and 8.3 million Singapore dollars to hedge operating expenses related to our Asia Pacific/Middle East segment. We have not elected hedge treatment for these contracts. Consequently, changes in the fair value of these instruments are recorded in Other income (expense), net on the Condensed Consolidated Statement of Operations. For the three months ended March 31, 2010, we recorded $0.8 million in losses related to these contracts. As of March 31, 2010, these contracts are included in Prepaid expenses and other and Other assets on the Condensed Consolidated Balance Sheets, valued at $0.07 million and $0.01 million, respectively. As of December 31, 2009, the fair value of these contracts was $0.9 million and is included in Prepaid expenses and other on the Condensed Consolidated Balance Sheets.

5. *Fair Value Measurements*

Fair value is defined in accounting guidance as the price that would be received to sell an asset or paid to transfer a liability (i.e. exit price) in an orderly transaction between market participants at the measurement date. This guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy for inputs is categorized into three levels based on the reliability of inputs as follows:

Level 1 Observable inputs such as quoted prices in active markets.

Level 2 Inputs (other than quoted prices in active markets) that are either directly or indirectly observable.

Level 3 Unobservable inputs which requires management s best estimate of what market participants would use in pricing the asset or liability.

Our financial instruments include cash and short-term investments, investments in auction rate securities, accounts receivable, accounts payable, debt, and forward foreign currency contracts. Except as described below, the estimated fair value of such financial instruments at March 31, 2010 and December 31, 2009 approximates their carrying value as reflected in our condensed consolidated balance sheets.

Our debt consists of our United States Government Ship Financing Title XI bonds and our Senior Convertible Debentures due 2027 (the Senior Convertible Debentures). The fair value of the bonds, based on current market conditions and net present value calculations, as of March 31, 2010 and December 31, 2009 was approximately $72.1 million and $74.4 million, respectively. The fair value of the debentures, based on quoted market prices, as of March 31, 2010 and December 31, 2009 was $210.8 million and $202.3 million, respectively.

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Assets measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations.

Fair Value Measurements at March 31, 2010
(In thousands)

Description	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 106,588	$ 106,588	$	$
Marketable securities	30,750			30,750
Derivative contracts	607		607	
Total	$ 137,945	$ 106,588	$ 607	$ 30,750

Fair Value Measurements at December 31, 2009
(In thousands)

Description	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 63,797	$ 63,797	$	$
Marketable securities	41,847			41,847
Derivative contracts	1,827		1,827	
Total	$ 107,471	$ 63,797	$ 1,827	$ 41,847

Financial instruments classified as Level 2 in the fair value hierarchy represent our forward foreign currency contracts. These contracts are valued using the market approach which uses prices and other information generated by market transactions involving identical or comparable assets or liabilities.

Financial instruments classified as Level 3 in the fair value hierarchy represent auction rate securities and the related put option described in Note 3 in which management has used at least one significant unobservable input in the valuation model.

Due to the lack of observable market quotes on our auction rate securities portfolio, we utilize a valuation model that relies on Level 3 inputs including market, tax status, credit quality, duration, recent market observations and overall capital market liquidity. The valuation of our auction rate securities is subject to uncertainties that are difficult to predict. Factors that may impact our valuation include changes to credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates, counterparty risk and ongoing strength and quality of market credit and liquidity.

The following table presents a reconciliation of activity for such securities:

Changes in Level 3 Financial Instruments

	Three Months Ended March 31	
	2010	2009
	(In thousands)	
Balance at Beginning of Period	$ 41,847	$ 42,375
Sales	(10,664)	
Total gains or (losses):		
Realized losses included in other income (expense), net	(561)	
Changes in net unrealized losses included in other comprehensive income	128	(991)

Balance at End of Period	$ 30,750	$ 41,384

During the first quarter of 2010, we classified the ***Sea Fox*** and ***Sea Cat***, two dive support vessels (DSVs) assigned to our North America Subsea segment, to Assets held for sale. Consequently, we remeasured the fair value of these vessels upon the classification using a valuation model that relies on Level 3 inputs including market data of recent sales of similar vessels, our prior experience in the sale of similar assets, and price of third party offers for the asset.

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The carrying amount of these assets of $1.4 million was written down to their fair value of $0.7 million resulting in an impairment of $0.7 million, which was included in earnings for the first quarter of 2010. (See Note 7 for additional information regarding the impairment of these vessels.) The remaining Assets held for sale continue to be held at their carrying value.

6. *Receivables*

Our receivables are presented in the following balance sheet accounts: (1) Accounts receivable, (2) Accounts receivable long term, (3) Unbilled work on uncompleted contracts, and (4) Contract costs incurred not yet recognized. Accounts receivable are stated at net realizable value, and the allowances for uncollectible accounts were $1.8 million and $2.8 million at March 31, 2010 and December 31, 2009, respectively. Accounts receivable at March 31, 2010 and December 31, 2009 included $24.7 million and $25.0 million, respectively, of retainage, which represents the short-term portion of amounts not immediately collectible due to contractually specified requirements. Accounts receivable long term at March 31, 2010 and December 31, 2009 represented amounts related to retainage which were not expected to be collected within the next twelve months.

Receivables also included claims and unapproved change orders of $25.6 million at March 31, 2010 and $28.0 million at December 31, 2009. These claims and change orders are amounts due for extra work and/or changes in the scope of work on certain projects.

Costs and Estimated Earnings on Uncompleted Contracts

	March 31 2010	December 31 2009
	(In thousands)	
Costs incurred and recognized on uncompleted contracts	$ 918,056	$ 891,530
Estimated earnings	102,006	66,179
Costs and estimated earnings on uncompleted contracts	1,020,062	957,709
Less: Billings to date	(964,152)	(873,636)
	55,910	84,073
Plus: Accrued revenue[(1)]	11,633	8,496
Less: Advance billing on uncompleted contracts		(175)
	$ 67,543	$ 92,394
Included in accompanying balance sheets under the following captions:		
Unbilled work on uncompleted contracts	$ 67,543	$ 92,569
Other accrued liabilities		(175)
	$ 67,543	$ 92,394

(1) Accrued revenue represents unbilled amounts receivable related to work performed on

projects for which the percentage of completion method is not applicable.

7. ***Asset Disposal and Impairments and Assets Held for Sale***

Due to escalating costs for dry-docking services, escalating repair and maintenance costs for aging vessels, increasing difficulty in obtaining certain replacement parts, and declining marketability of certain vessels, we decided to forego dry-docking or refurbishment of certain vessels and to sell or permanently retire them from service. Consequently, we recognized gains and losses on the disposition of certain vessels, and non-cash impairment charges on the retirement of other vessels. Each asset was analyzed using an undiscounted cash flow analysis and valued at the lower of carrying value or net realizable value.

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Net Gains and (Losses) on Asset Disposal consisted of the following:

		Three Months Ended March 31	
Segment	**Description of Asset**	**2010**	**2009**

&nb