

During this same three year period, industry platform rig utilization in the Company's market declined from 72% during the first quarter of fiscal 2002, to 47% during the fourth quarter of fiscal 2004. During this same period, utilization for the Company's platform rigs fell from 100% (10 of 10) during the first quarter 2002, to a low of 42% (five of 12) during the first and second quarters of 2004. Although activity rose slightly during the third and fourth quarters of 2004, it is expected to drop back to five active rigs during the first quarter of 2005.

As demonstrated by these financial trends, the Company's offshore platform business has continued to decline. During the first half of 2004, the Company believed that two new contracts obtained for work that commenced during the third and fourth quarters and the increases in commodity prices were precursors to more bidding activity in the market. That anticipated increase in bid activity did not materialize and bidding opportunities were very low during the third and fourth quarters. Additionally, oil and natural gas commodity prices reached new historical highs during the Company's fourth fiscal quarter, but there was no improvement in the market for the Company's offshore platform rigs and no indication from customers that new opportunities would be forthcoming in the foreseeable future.

As a result of these events and circumstances, management performed an analysis of the general industry market conditions in the offshore platform rig business, and the prospective market demand for the offshore platform rigs owned by the Company. Based upon this analysis, management determined that the carrying value of certain of the offshore rigs exceeded the estimated undiscounted future cash flows associated with these assets. Accordingly, an asset impairment charge