

suffered. Although the purchase or requisition of one or a few of our vessels for an extended period of time will not cause adverse material negative financial effects to our company, the purchase or requisition of several or a significant number of our vessels for an extended period of time may adversely affect our financial condition, results of operations, and cash flows.

### **Risk of Changes in Laws Governing U.S. Taxation of Foreign Source Income**

Approximately 92% of the company's revenues and net income is generated by its operations outside of the United States. The company has enjoyed an average effective tax rate of approximately 18% since fiscal 2006, primarily a result of the passage of The American Jobs Creation Act of 2004, which excluded from the company's current taxable income in the U.S. income earned offshore through the company's controlled foreign subsidiaries.

From time to time, legislative initiatives are proposed to effectively increase U.S. taxation of income with respect to foreign operations. Whether any such initiatives win congressional or executive approval and become law is presently unknown; however, if any such initiatives were to become law, and were such law to apply to the company's international operations, it would result in a materially higher tax expense, which would have a material impact on the company's financial condition, results of operations or cash flows.

### **Potential Repeal or Amendment of the Shipping Act May Have an Adverse Impact on the Company's U.S. Segment**

The provisions of the Shipping Act restricting coastwise trade to vessels controlled by U.S. citizens may from time to time be circumvented by foreign competitors that seek to engage in trade reserved for vessels controlled by U.S. citizens and otherwise qualifying for coastwise trade. There have also been attempts to repeal or amend the citizen provision of the Shipping Act, and these attempts are expected to continue. Legal challenges against such actions are difficult, costly to pursue and unpredictable.

To the extent foreign competition is permitted to engage in U.S. coastwise trade by vessels that are built in lower-cost shipyards, owned and manned by foreign nationals with favorable foreign tax incentives and with lower wages and benefits than U.S. citizens, such increased competition could have a material adverse effect on the company's U.S. segment operations. However, for the fiscal years ended March 31, 2010, 2009 and 2008, 92%, 89%, and 87%, respectively, of the company's total revenues were generated by its international segment.

### **Compliance with Environmental Regulations May Adversely Impact Our Operations and Markets**

A variety of regulatory developments, proposals and requirements have been introduced in the U.S. and various other countries that are focused on restricting the emission of carbon dioxide, methane and other gases. If such legislation is enacted, increased energy, environmental and other costs and capital expenditures could be necessary to comply with the limitations. These developments may curtail production and demand for hydrocarbons such as crude oil and natural gas in areas of the world where our customers operate and thus adversely affect future demand for the company's offshore supply vessels, which are highly dependent on the level of activity in offshore oil and natural gas exploration, development and production market. Although it is unlikely that demand for oil and gas will lessen dramatically over the short-term, in the long-term, demand for oil and gas or increased regulation of environmental regulations may create greater incentives for use of alternative energy sources. Unless and until legislation is enacted and its terms are known, we cannot reasonably or reliably estimate its impact on our financial condition, results of operations and ability to compete. However, any long term material adverse effect on the crude oil and natural gas industry may adversely affect on our financial condition, results of operations and cash flows.

### **The Recent Rig Catastrophe in the Gulf of Mexico Could Have a Significant Impact on Exploration and Production Activities in United States Coastal Waters that Could Adversely Affect the U. S. Operations of the Company.**

The April 2010 catastrophic explosion of the Deepwater Horizon and the related oil spill in the U. S. GOM may have an adverse effect on drilling and exploration activities in the U. S. offshore waters, including the GOM. The Obama Administration has announced that no additional offshore drilling permits will be issued and no additional offshore leases for drilling and exploration will be awarded until an assessment has