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MARITRANS INC /DE/  
Form 10-K  
March 15, 2004

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2003

or

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 1-9063

MARITRANS INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

51-0343903

(I.R.S. Employer Identification Number)

TWO HARBOUR PLACE  
302 KNIGHTS RUN AVENUE  
TAMPA, FLORIDA

(Address of principal executive offices)

33602

(Zip Code)

Registrant's telephone number, including area code

(813) 209-0600

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, Par Value \$.01 Per Share	New York 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 such 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 the 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.

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

As of June 30, 2003, the last business day of our most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant (based on the last sales price on that date) was \$74,406,456.

As of March 5, 2004, Maritrans Inc. had 8,152,381 shares of common stock outstanding.

## Documents Incorporated By Reference

Part III incorporates information by reference from the registrant's Proxy Statement for Annual Meeting of Stockholders to be held on April 29, 2004.

Exhibit Index is located on page 46.

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## Special Note Regarding Forward-Looking Statements

Some of the statements under "Business," "Properties," "Legal Proceedings," "Market for Registrant's Common Stock and Related Stockholder Matters" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Annual Report on Form 10-K (this "10-K") constitute forward-looking statements under Section 27A of the Securities Act of

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1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements made with respect to present or anticipated utilization, future revenues and customer relationships, capital expenditures, future financings, and other statements regarding matters that are not historical facts and involve predictions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, growth, performance, earnings per share or achievements to be materially different from any future results, levels of activity, growth, performance, earnings per share or achievements expressed in or implied by such forward-looking statements.

The forward-looking statements included in this 10-K relate to future events or the Company's future financial performance. In some cases, the reader can identify forward-looking statements by terminology such as "may," "seem," "should," "believe," "future," "potential," "estimate," "offer," "opportunity," "quality," "growth," "expect," "intend," "plan," "focus," "through," "strategy," "provide," "meet," "allow," "represent," "commitment," "create," "implement," "result," "seek," "increase," "establish," "work," "perform," "make," "continue," "can," "will," "include," or the negative of such terms or comparable terminology. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on the Company's current plans or assessments that are believed to be reasonable as of the date of this 10-K. Factors that may cause actual results, goals, targets or objectives to differ materially from those contemplated, projected, forecast, estimated, anticipated, planned or budgeted in such forward-looking statements include, among others, the factors outlined in this 10-K, changes in oil companies' decisions as to the type and origination point of the crude that it processes, changes in the amount of imported petroleum products, competition for marine transportation, domestic and international oil consumption, the continuation of federal law restricting United States point-to-point maritime shipping to U.S. vessels (the Jones Act), demand for petroleum products, future spot market rates, changes in interest rates, the effect of war or terrorists activities and the general financial, economic, environmental and regulatory conditions affecting the oil and marine transportation industry in general. Given such uncertainties, current or prospective investors are cautioned not to place undue reliance on any such forward-looking statements. These factors may cause the Company's actual results to differ materially from any forward-looking statement.

Although the Company believes that the expectations in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, growth, earnings per share or achievements. However, neither the Company nor any other person assumes responsibility for the accuracy and completeness of such statements. The Company is under no duty to update any of the forward-looking statements after the date of this 10-K to conform such statements to actual results.

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### PART I

#### Item 1. BUSINESS

##### General

Maritrans Inc. and its subsidiaries (the "Company" or the "Registrant"), together with its predecessor, Maritrans Partners L.P. (the "Partnership"), herein collectively called "Maritrans," has historically served the petroleum and petroleum product industry by using tank barges, tugboats and oil tankers to provide marine transportation services primarily along the East and Gulf Coasts of the United States.

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The Company makes available, free of charge, all filings made with the Securities and Exchange Commission as soon as reasonably practicable on our website [www.maritrans.com](http://www.maritrans.com).

### Structure

**Current.** The Registrant is a Delaware corporation whose common stock, par value \$.01 per share ("Common Stock"), is publicly traded on the New York Stock Exchange. The Registrant conducts most of its marine transportation business activities through Maritrans Operating Company L.P. and its managing general partner, Maritrans General Partner Inc. Both entities are wholly owned subsidiaries of the Registrant.

**Historical.** Maritrans' predecessor was founded in the 1850's and incorporated in 1928 under the name Interstate Oil Transport Company. Interstate Oil Transport Company was one of the first tank barge operators in the United States with a fleet that increased in size and capacity as United States consumption of petroleum products increased. On December 31, 1980, the predecessor operations and tugboat and barge affiliates were acquired by Sonat Inc. ("Sonat"). On April 14, 1987, the Partnership acquired the tug and barge business and related assets from Sonat. In March 1993, the limited partners of the Partnership approved a proposal to convert the Partnership to a corporation. On April 1, 1993, Maritrans Inc., then a newly formed Delaware corporation, succeeded to all assets and liabilities of the Partnership. The holders of general and limited partnership interests in Maritrans Partners L.P. and in Maritrans Operating Partners L.P. were issued shares of Common Stock in exchange for their partnership interest representing substantially the same percentage equity interest, directly or indirectly, in the Registrant as they had in the Partnership. Each previously held Unit of Limited Partnership Interest in the Partnership was exchanged for one share of Common Stock of the Registrant.

**Overview.** Since 1987, Maritrans and its predecessors have transported annually over 178 million barrels of crude oil and refined petroleum products. The Company operates a fleet of tank barges, tugboats and oil tankers. Its largest barge has a capacity of approximately 380,000 barrels and its current operating cargo fleet capacity aggregates approximately 3.6 million barrels.

Demand for the Company's services is dependent primarily upon general demand for petroleum and petroleum products in the geographic areas served by its vessels. Management believes that United States petroleum consumption, and particularly consumption on the Gulf and Atlantic Coasts, is a significant indicator of demand for the Company's services. Increases in product consumption generally increase demand for services; conversely, decreases in consumption generally lessen demand for services.

Management also believes that the level of domestic consumption of imported refined products is significant to the Company's business. Imported refined petroleum products generally can be shipped on foreign-flag vessels directly into the United States ports for storage, distribution and eventual consumption. These shipments reduce the need for domestic marine transportation service providers such as Maritrans to carry products from United States refineries to such ports.

Marine transportation services are provided for refined petroleum products ("clean oil") from refineries located primarily in Texas, Louisiana and Mississippi to distribution points along the Gulf and Atlantic Coasts, generally south of Cape Hatteras, North Carolina and particularly into Florida. Lightering is a process of off-loading crude oil or petroleum products from deeply laden inbound tankers into smaller tankers and/or barges. This enables the larger inbound tanker to navigate draft-restricted rivers and ports to discharge cargo at a refinery or storage and distribution terminal. The Company's lightering services are performed in the Delaware Bay area. The Company maintains offices

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and support personnel in both Tampa, Florida and in the Philadelphia, Pennsylvania area.

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In November 2001, the Company entered into an \$85 million credit and security agreement (the "Credit Facility"). Pursuant to the terms of the Credit Facility, the Company could borrow up to \$45 million of term loans and up to \$40 million under a revolving credit facility. Interest is variable based on either the LIBOR rate plus an applicable margin (as defined in the Credit Facility) or the prime rate. The Company has granted first preferred ship mortgages and a first security interest in some of the vessels and other collateral to the lenders to secure the debt. In September 2003, the Company paid the outstanding term loan balance of \$37 million. At December 31, 2003, there was \$23.5 million outstanding under the revolving line of credit. The revolving credit facility expires in January 2007.

In September 2003, the Company entered into new financing agreements. The new agreements consist of a \$7.3 million loan with a 5-year amortization and a \$29.5 million loan with a 9.5-year amortization and a 50 percent balloon payment at the end of the term. The new debt accrues interest at an average fixed rate of 5.53 percent. The proceeds of the new debt were used to pay off the balance of the term loan under the Company's Credit Facility. Principal payments on the \$7.3 million loan are required on a quarterly basis and began in January 2004. Principal payments on the \$29.5 million loan are required on a monthly basis and began in November 2003. The Company has granted first preferred ship mortgages and a first security interest in some of the vessels and other collateral to the Lenders as a guarantee of the debt.

Definitions. In order to facilitate your understanding of the disclosure contained in this Form 10-K, the following are definitions of some commonly used industry terms used herein:

"Available days" refers to the number of days the fleet was not out of service for maintenance or other operational requirements and therefore was available to work.

"Barge rebuild program" refers to the Company's program to rebuild its single-hull barges to a double-hull configuration to conform with OPA utilizing its patented process of computer assisted design and fabrication.

"Cargo" refers to the petroleum products transported by our vessels.

"Clean oil" refers to refined petroleum products.

"Jones Act trade" refers to the federal law restricting United States point-to-point maritime shipping to vessels built in the United States, owned by U.S. citizens and manned by U.S. crews.

"Lightering" refers to the process of off-loading crude oil or petroleum products from deeply laden inbound tankers into smaller tankers and/or barges.

"OPA" refers to the Oil Pollution Act of 1990 which is a federal law prohibiting the operation of single-hull vessels in U.S. waters based on a retirement schedule that began on January 1, 1995 and ends on January 1, 2015.

"Revenue days" refers to the number of days the fleet was working for customers.

"Spot market" refers to a term describing a one-time open-market transaction where transportation services are provided at current market rates.

"Superbarge" refers to a barge with a carrying capacity in excess of 150,000

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barrels.

"Term contract" refers to a contract with a customer for specified services over a specified period for a specified price.

"Time Charter Equivalent" ("TCE") refers to the measure where direct voyage costs are deducted from revenue. TCE yields a measure that is comparable regardless of the type of contract utilized.

"Vessel utilization" refers to the measure, expressed as a percentage, of the days the fleet worked calculated by revenue days divided by calendar days in the period.

"Voyage costs" refer to the expenses incurred for fuel and port charges.

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### Sales and Marketing

Maritrans provides marine transportation services primarily to integrated oil companies, independent oil companies, petroleum trading companies, petroleum marketers and petroleum distributors in the southern and eastern United States. The Company monitors the supply and distribution patterns of its actual and prospective customers and focuses its efforts on providing services that are responsive to the current and future needs of these customers. Business is done on both a term contract basis and a spot market basis. The Company strives to maintain an appropriate mix of contracted business, based on current market conditions.

In light of the potential liabilities of oil companies and other shippers of petroleum products under the Oil Pollution Act of 1990 ("OPA") and analogous state laws, management believes that some shippers select transporters in larger measure than in the past on the basis of a demonstrated record of safe operations. The Company believes that the measures it has implemented to promote higher quality operations and its longstanding commitment to safe transportation of petroleum products benefit its marketing efforts with these shippers. In July 1998, all of Maritrans' vessels received ISM (International Safety Management) certification, which is an international requirement for all tankers. Maritrans voluntarily undertook tug and barge certification as well. The Company continues to maintain these certifications.

In 2003, approximately 88 percent of the Company's revenues were generated from 10 customers. Contracts with Sunoco Inc., ChevronTexaco and Marathon Ashland Petroleum accounted for approximately 17 percent, 15 percent and 14 percent, respectively, of the Company's revenue. The Company's current portfolio of contracts includes some with terms that extend into 2005. There could be a material effect on the Company if any of these customers were to cancel or terminate their various agreements with the Company. However, management believes that cancellation or termination by any of its larger customers is unlikely.

### Competition and Competitive Factors

Overview. The maritime petroleum transportation industry is highly competitive. The Jones Act, a federal law, restricts United States point-to-point maritime shipping to vessels built in the United States, owned by U.S. citizens and manned by U.S. crews. In Maritrans' market areas, its primary direct competitors are the operators of U.S. flag oceangoing barges and U.S. flag tankers. In the Southern clean-oil market, management believes the primary competitors are the fleets of other independent petroleum transporters and integrated oil companies. In the lightering operations, Maritrans competes with foreign-flag operators which lighter offshore. Additionally, in certain

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geographic areas and in certain business activities, Maritrans competes with the operators of petroleum product pipelines. Competitive factors that also affect the Company include the output of United States refineries and the importation of refined petroleum products.

U.S. Flag Barges and Tankers. Maritrans' most direct competitors are the other operators of U.S. flag oceangoing barges and tankers. Because of the restrictions imposed by the Jones Act, a finite number of vessels are currently eligible to engage in U.S. maritime petroleum transport. The Company believes that more Jones Act eligible tonnage is being retired due to OPA than is being added as replacement double-hull tonnage and that this trend is reducing, but not eliminating, what has historically been an over-supply of capacity. Competition in the industry is based upon vessel availability, price and service and is intense.

A significant portion of the Company's revenues in 2003 was generated in the coastal transportation of petroleum products from refineries or pipeline terminals in the Gulf of Mexico to ports that are not served by pipelines. Maritrans currently operates nine barges and three oil tankers in this market. The Company can generally provide flexibility in meeting customers' needs as a result of the relatively large size and composition of the Company's fleet.

General Agreement on Trade in Services ("GATS") and North American Free Trade Agreement ("NAFTA"). Cabotage is vessel trade or marine transportation between two points within the same country. Currently cabotage is not included in the GATS and the NAFTA, although the possibility exists that cabotage could be included in the GATS, NAFTA or other international trade agreements in the future. If maritime services are deemed to include cabotage and are included in any multi-national trade agreements in the future, management believes the result will be to open the Jones Act trade (i.e., transportation of maritime cargo between U.S. ports in which Maritrans and other U.S. vessel owners operate) to foreign-flag vessels. These vessels would operate at significantly lower costs. This could have a material adverse effect on the Company. Maritrans and the U.S. maritime industry will continue to resist the inclusion of cabotage in the GATS, NAFTA and any other international trade agreements.

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Refined Product Pipelines. Existing refined product pipelines generally are the lowest incremental cost method for the long-haul movement of petroleum and refined petroleum products. Other than the Colonial Pipeline system, which originates in Texas and terminates at New York Harbor, the Plantation Pipeline, which originates in Louisiana and terminates in Washington D.C., and smaller regional pipelines between Philadelphia and New York, there are no pipelines carrying refined petroleum products to the major storage and distribution facilities currently served by the Company. Management believes that high capital costs, tariff regulation and environmental considerations make it unlikely that a new refined product pipeline system will be built in its market areas in the near future. It is possible, however, that new pipeline segments (including pipeline segments that connect with existing pipeline systems) could be built or that existing pipelines could be converted to carry refined petroleum products. Either of these occurrences could have an adverse effect on Maritrans' ability to compete in particular locations.

Imported Refined Petroleum Products. A significant factor affecting the level of Maritrans' business operations is the level of refined petroleum product imports. Imported refined petroleum products may be transported on foreign-flag vessels, which are generally less costly to operate than U.S. flag vessels. To the extent that there is an increase in the importation of refined petroleum products to any of the markets served by the Company, there could be a decrease in the demand for the transportation of refined products from United States refineries, which would likely have an adverse impact upon Maritrans.

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Delaware River Channel Deepening. Legislation approved by the United States Congress in 1992 authorizes the U.S. Army Corps of Engineers (the "ACOE") to deepen the channel of the Delaware River between the river's mouth and Philadelphia from forty to forty-five feet (the "Project"). If this Project becomes fully funded at the federal and state levels and fully constructed (including access dredging by private refineries), it would reduce the quantity of lightering performed by Maritrans in the Delaware Bay. The Company's lightering business primarily occurs at the mouth of the Delaware Bay with transportation up the Delaware River to the Delaware Valley refineries. The deepening of the channel would allow arriving ships to proceed up the river with larger loads. The reduction of lightering resulting from a completed channel deepening project may have a material adverse effect on the Company's lightering business. However, the effect of the Project on the Company's business overall is uncertain. Once initiated, the Project will take at least five years to complete, and options at that time to reduce the impact of lightering volume reduction may include rate adjustments or vessel re-deployments that offset the effect of lightering reduction.

At this time, it is uncertain whether this Project will actually be undertaken. In the third quarter of 2003, the ACOE confirmed their belief that the project was economically justified and recommended that the project proceed. However, federal funding and permitting issues have yet to be resolved with the States of New Jersey and Delaware. Further, the States of New Jersey and Delaware are reconsidering whether they will contribute necessary non-federal funding for the Project. Management is closely monitoring developments regarding the Project, but does not foresee an immediate impact on its business.

### Employees and Employee Relations

At December 31, 2003, Maritrans had a total of 394 employees. Of these employees, 66 are employed at the Tampa, Florida headquarters of the Company or at the Philadelphia area office, 208 are seagoing employees who work aboard the tugboats and barges and 120 are seagoing employees who work aboard the tankers.

Maritrans and its predecessors have had collective bargaining agreements with the Seafarers' International Union of North America, Atlantic, Gulf and Inland District, AFL-CIO ("SIU"), and with the American Maritime Officers ("AMO"), formerly District 2 Marine Engineers Beneficial Association, Associated Maritime Officers, AFL-CIO, for over 40 years. Approximately 38 percent of the total number of seagoing employees employed by the Company are supervisors. These supervisors are covered by an agreement with the AMO limited to a provision for benefits. The collective bargaining agreement with the SIU covers approximately 142 employees consisting of seagoing non-supervisory personnel on the tugboat/barge units and on the tankers. The tugboat/barge supplement of the agreement expires on May 31, 2005. The tankers supplement of the agreement expires on May 31, 2006. The collective bargaining agreement with the AMO covers approximately 40 non-supervisory seagoing employees and expires on October 8, 2007. Shore-based employees are not covered by any collective bargaining agreements.

Management believes that the seagoing supervisory and non-supervisory personnel contribute significantly to responsive customer service. The Company maintains a policy of seeking to promote from within, where possible, and generally seeks to draw from its marine personnel to fill supervisory and other management positions as vacancies occur. Management believes that its operational audit program (performed by Tidewater School of

Navigation, Inc.), Safety Management System and training programs are essential to insure that its employees are knowledgeable and highly skilled in the



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performance of their duties as well as in their preparedness for any unforeseen emergency situations that may arise. Consequently, various training sessions and additional skill improvement seminars are held throughout the year.

### Regulation

Marine Transportation -- General. The Interstate Commerce Act exempts from economic regulation the water transportation of petroleum cargoes in bulk. Accordingly, Maritrans' transportation rates, which are negotiated with its customers, are not subject to special rate regulation under the provisions of such act or otherwise. The operation of tank barges, tugboats and oil tankers is subject to regulation under various federal laws and international conventions, as interpreted and implemented primarily by the United States Coast Guard, as well as certain state and local laws. The tank barges, tugboats and oil tankers are required to meet construction and repair standards established by the American Bureau of Shipping, a private organization, and/or the United States Coast Guard. They are also required to meet operational and safety standards presently established by the United States Coast Guard. Maritrans' seagoing supervisory personnel are licensed by the United States Coast Guard. Seamen and tankermen are certificated by the United States Coast Guard.

Jones Act. The Jones Act is a federal law that restricts maritime transportation between United States points to vessels built and registered in the United States and owned and manned by United States citizens. Since the Company engages in maritime transportation between United States points, it is subject to the provisions of the law. As a result, the Company is responsible for monitoring the ownership of its subsidiaries that engage in maritime transportation and for taking any remedial action necessary to insure that no violation of the Jones Act ownership restrictions occurs. The Jones Act also requires that all U.S. flag vessels be manned by U.S. citizens. Foreign-flag seamen generally receive lower wages and benefits than those received by U.S. citizen seamen. Foreign-flag vessels are generally exempt from U.S. legal requirements and from U.S. taxes. As a result, U.S. vessel operators incur significantly higher labor and operating costs compared to foreign-flag vessel operators. Certain foreign governments subsidize those nations' shipyards. This results in lower shipyard costs both for the building of new vessels and for repairs than those paid by U.S.-flag vessel owners, such as Maritrans, to U.S. shipyards. Finally, the United States Coast Guard and American Bureau of Shipping maintain the most stringent regime of vessel inspection in the world, which tends to result in higher regulatory compliance costs for U.S.-flag operators than for owners of vessels registered under foreign flags of convenience. Because Maritrans transports petroleum and petroleum products between U.S. ports, most of its business depends upon the Jones Act remaining in effect. There have been various unsuccessful attempts in the past by foreign governments and companies to gain access to the Jones Act trade, as well as by interests within the U.S. to modify, limit or do away with the Jones Act. The Maritime Cabotage Task Force, a coalition of ship owners, ship operators, shipyards, maritime unions and industry trade groups, has opposed these efforts. Recent legislative attempts to modify the Jones Act have been unsuccessful.

Port Security Act. The Maritime Transportation Security Act of 2002 (the "MTSA") was signed into law on November 25, 2002. This landmark legislation establishes a series of complex requirements applicable to a broad array of U.S. vessels and facilities. The MTSA requires, among other things, U.S. and foreign port vulnerability assessments; national, area, vessel, and facility security plans; terrorist incident response requirements; security cards; security teams; and automatic electronic identification systems. The Company has met the requirements under the Act to develop and submit vessel security plans to the United States Coast Guard for review and approval. In addition, the Company has trained the required vessel and security officers. The Company will incur additional operating expenses to comply with the Act, but at this time does not believe such costs will have a material adverse impact on the financial

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condition and results of operations of the Company.

### Environmental Matters

Maritrans' operations present potential environmental risks, primarily through the marine transportation of petroleum. The Company, as well as its competitors, is subject to regulation under federal, state and local environmental laws that have the effect of increasing the costs and potential liabilities arising out of its operations. The Company is committed to protecting the environment and complying with applicable environmental laws and regulations.

The general framework of significant environmental legislation and regulation affecting Maritrans' operations is described herein. Legislation and regulation of the marine industry has historically been driven largely in response to major marine casualties. In the event of future serious marine industry incidents that occur in U.S. waters resulting in

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significant oil pollution, it is foreseeable that additional legislation or regulation could be imposed on marine carriers that could affect the Company's profitability.

Water Pollution Legislation. OPA and other federal statutes, such as the Clean Water Act and the Refuse Act, create substantial liability exposure for owners and operators of vessels, oil terminals and pipelines. Under OPA, each responsible party for a vessel or facility from which oil is discharged will be jointly, strictly and severally liable for all oil spill containment and clean-up costs and certain other damages arising from the discharge. These other damages are defined broadly to include (i) natural resource damage (recoverable only by government entities), (ii) real and personal property damage, (iii) net loss of taxes, royalties, rents, fees and other lost revenues (recoverable only by government entities), (iv) lost profits or impairment of earning capacity due to property or natural resource damage, and (v) net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards.

The owner or operator of a vessel from which oil is discharged will be liable under OPA unless it can be demonstrated that the spill was caused solely by an act of God, an act of war, or the act or omission of a third party unrelated by contract to the responsible party. Even if the spill is caused solely by a third party, the owner or operator must pay all removal cost and damage claims and then seek reimbursement from the third party or the trust fund established under OPA.

OPA establishes a federal limit of liability for tank vessels of \$1,200 per gross ton. A vessel owner's liability is not limited, however, if the spill results from a violation of federal safety, construction or operating regulations. In addition, OPA does not preclude states from adopting their own liability laws. Numerous states in which Maritrans operates have adopted legislation imposing unlimited strict liability for vessel owners and operators.

OPA also requires all vessels to maintain a certificate of financial responsibility for oil pollution in an amount equal to the greater of \$1,200 per gross ton per vessel, or \$10 million per vessel in conformity with United States Coast Guard regulations. Additional financial responsibility in the amount of \$300 per gross ton is required under United States Coast Guard regulations under the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), the federal Superfund law. Owners of more than one tank vessel, such as Maritrans, however, are only required to demonstrate financial responsibility in an amount sufficient to cover the vessel having the greatest maximum

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liability (approximately \$40 million for Maritrans). The Company has acquired such certificates through filing required financial information with the United States Coast Guard.

The Company presently maintains oil pollution liability insurance in the amount of \$1 billion to cover environmental liabilities. Although liability exceeding the Company's insurance coverage amount is possible, management believes that such liability is unlikely and that such insurance is sufficient to cover foreseeable oil pollution liability arising from operations.

OPA requires all newly constructed petroleum tank vessels engaged in marine transportation of oil and petroleum products in the U.S. to be double-hulled. It also gradually phases out the operation of single-hulled tank vessels in U.S. waters, based on size and age, which included most of the Company's existing barges. Currently six of the Company's barges and two tankers are equipped with double-hulls meeting OPA's requirements. The Company is in the midst of a barge rebuild program. Under the program, the Company's single-hull tank barges are rebuilt to comply with OPA. This rebuilding of the single-hull barges relies upon a process of computer assisted design and prefabrication. In January 2001, the Company was granted a patent for this process.

The following table summarizes the vessels the Company has rebuilt or is rebuilding as part of the double-hull rebuild program:

Previous Name -----	New Name -----	Original Build Date -----	OPA Retirement Date -----	Re-Deliver -----
Ocean 192	M 192	1979	2006	November
Ocean 244	M 244	1971	2005	December
Ocean Cities	M 252	1972	2005	February
Ocean 250	M 254	1970	2005	November
Ocean States	M 214	1975	2005	Second Quarter
Ocean 193	TBD	1980	2005	Estimate

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It is the Company's intention to rebuild all of its single-hulled barges prior to their respective retirement dates. The cost of rebuilding single-hull barges is approximately \$50-100 per barrel compared to estimated costs of approximately \$150-200 per barrel for construction of a completely new double-hull barge. The total cost of the barge rebuild program is expected to exceed \$200 million of which approximately \$85 million has already been incurred. The OPA 90 mandated retirement dates are significantly in advance of the useful working life of the barges. Once the vessels are rebuilt, the useful life is assumed to exceed 20 years from the date of reconstruction.

In 2001, the Company initiated a program to refurbish each married tugboat at the same time its barge is being double-hulled. In 2001, the Company extensively refurbished the Intrepid, which is the tugboat that works with the M 252 at a cost of approximately \$5 million. The Company also refurbished the Navigator, which is the tugboat that works with the M 254 at a cost of \$6 million during the time that the M 254 underwent her double-hull rebuilding. The Company plans to continue the tug refurbishment process during future barge rebuilds.

In November 2002, the Company entered into a contract with a shipyard to double-hull the OCEAN STATES. The OCEAN STATES was taken out of service early in September 2003 for her double-hull rebuild and is expected to return to service in the second quarter of 2004. The rebuild of the OCEAN STATES will include the insertion of an additional set of tanks ("midbody") that increases the cargo

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capacity by approximately 15 percent. The cost for the midbody is equivalent to new building costs. The Company has also taken the OCEAN STATES married tugboat, Honour, out of service for her refurbishment during this period. The OCEAN STATES and Honour rebuilds are expected to cost \$24 million and \$6.5 million, respectively. As of December 31, 2003, \$16.5 million and \$0.8 million, respectively, have been paid to the shipyard contractor for the projects.

In August 2003, the Company entered into a contract with a shipyard to double-hull the OCEAN 193. The rebuild of the OCEAN 193 will also include the insertion of a midbody, increasing her capacity by approximately 15 percent. The OCEAN 193 rebuild is expected to cost approximately \$24 million and will commence in the third quarter of 2004. As of December 31, 2003, \$4.2 million has been paid to the shipyard contractor for the project. During the period that the OCEAN 193 is in the shipyard for her double-hull rebuild, her married tugboat, Enterprise, will be refurbished at an estimated cost of approximately \$3.3 million.

OPA further requires all tank vessel operators to submit detailed vessel oil spill contingency plans which set forth their capacity to respond to a worst case spill situation. In certain circumstances involving oil spills from vessels, OPA and other environmental laws may impose criminal liability upon vessel and shoreside marine personnel and upon the corporate entity. Liability can be imposed for negligence without criminal intent, or it may be strictly applied. The Company believes the laws, in their present form, may negatively impact efforts to recruit seagoing employees. In addition, many of the states in which the Company does business have enacted laws providing for strict, unlimited liability for vessel owners in the event of an oil spill. Certain states have also enacted or are considering legislation or regulations involving at least some of the following provisions: tank-vessel-free zones, contingency planning, state inspection of vessels, additional operating, maintenance and safety requirements and state financial responsibility requirements. However, in March of 2000, the United States Supreme Court (the "Court") decided *United States v. Locke*, a suit brought by INTERTANKO challenging tanker regulations imposed by the State of Washington. The Court struck down a number of state regulations and remanded to the lower courts for further review of other regulations. The ruling significantly limits the authority of states to regulate vessels, holding that regulation of maritime commerce is generally a federal responsibility because of the need for national and international uniformity.

To the extent not covered by OPA and the Refuse Act, strict liability is also imposed for discharges of hazardous substances into the navigable waters by the Clean Water Act and CERCLA.

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Since its inception, Maritrans has maintained and cultivated a strong safety culture and environmental ethic. The following table sets forth Maritrans' quantifiable cargo oil spill record for the period January 1, 1999 through December 31, 2003:

Period	No. of Gals. Carried	No. of Spills	No. of Gals. Spilled	Gallons Spilled Per Million Gals. Carried
-----	-----	-----	-----	-----
	(000)		(000)	
1/1/1999 -- 12/31/1999	10,463,000	5	.060	.006
1/1/2000 -- 12/31/2000	7,951,000	1	.008	.001
1/1/2001 -- 12/31/2001	7,705,000	3	.001	.000
1/1/2002 -- 12/31/2002	7,460,000	1	.001	.000
1/1/2003 -- 12/31/2003	7,558,000	3	.010	.001

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Maritrans believes that its spill ratio compares favorably with the other independent, coastwise operators in the Jones Act trade.

**Hazardous Waste Regulation.** In the course of its vessel operations, Maritrans engages contractors to remove and dispose of waste material, including tank residue. In the event that any of such waste is deemed "hazardous," as defined in the Federal Water Pollution Control Act, CERCLA or the Resource Conservation and Recovery Act, and is disposed of in violation of applicable law, the Company could be jointly and severally liable with the disposal contractor for the clean-up costs and any resulting damages. The United States Environmental Protection Agency ("EPA") previously determined not to classify most common types of "used oil" as a "hazardous waste," provided that certain recycling standards are met. Some states in which the Company operates, however, have classified "used oil" as hazardous.

**Air Pollution Regulations.** Pursuant to the 1990 amendments to the Clean Air Act, the EPA and/or states have imposed regulations affecting emissions of volatile organic compounds ("VOCs") and other air pollutants from tank vessels. It is likely that the EPA and/or various state environmental agencies will require that additional air pollution abatement equipment be installed in tank barges, tugboats, or oil tankers including those owned by the Company. Any such emission control requirements could result in material expenditures by the Company, which could have an adverse effect on the Company's profitability if it is not able to recoup these costs through increased charter rates.

In December 1999, the EPA issued its final rule for emissions standards for marine diesel engines. The final rule applies emissions standards only to new engines, beginning with the 2004 model year. This rule does not currently affect the Company's vessels, but would apply to any new engines installed in the vessels in the future. The EPA retained the right to revisit the issue of applying emission standards to rebuilt or remanufactured engines if, in the agency's opinion, the industry does not take adequate steps to introduce new emission-reducing technologies.

**User Fees and Taxes.** The Water Resources Development Act of 1986 permits local non-federal entities to recover a portion of the costs of new port and harbor improvements from vessel operators with vessels benefiting from such improvements. A Harbor Maintenance Tax has been proposed, but not adopted. Federal legislation has been enacted imposing user fees on vessel operators such as Maritrans to help fund the United States Coast Guard's activities. Federal, state and local agencies or authorities could also seek to impose additional user fees or taxes on vessel operators and their vessels. There can be no assurance that current fees will not materially increase or that additional user fees will not be imposed in the future. Such fees could have a material adverse effect on the Company's financial condition and results of operations.

**War Risk.** In February 2002, insurance carriers reaffirmed that terrorist attacks would only be covered under the Company's traditional "war risk" protection and indemnity insurance. Maritrans carries additional war risk and terrorism insurance coverage through The West of England Ship Owners Mutual Insurance Association (Luxembourg) ("The West of England"). As with all ship owners in The West of England's worldwide protection and indemnity club fleet, effective February 20, 2003, Maritrans' coverage for war risk and terrorism contains exclusions with respect to any chemical, bio-chemical, electromagnetic weapons, nuclear risks and/or computer virus damages caused by a terrorist act. Because these exclusions were just recently established, the nature and scope of the exclusions have not yet been subject to interpretation. However, ship owners who are insured through The West of England, including Maritrans, share in coverage up to an aggregate of \$60 million, in the event of a terrorist act of the type of one of the excluded coverages. The maximum amount of coverage

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available under war risk liability insurance is currently \$400 million. While the Company has traditional protection and indemnity insurance in excess

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of \$4 billion and oil spill insurance of \$1 billion, if an incident was deemed to be a terrorist attack, the maximum coverage would be \$400 million per incident plus any hull value, which could prove to be insufficient. In addition, the Company carries war risk insurance on the hull value of the Company's vessels.

Maritrans vessels are Jones Act vessels, meaning that they were constructed in the United States, are U. S. owned, and are manned by U.S. citizens. Although the vessels are able to travel to anywhere in the world, Maritrans vessels generally provide domestic services in the coastal waters of the United States. No Maritrans vessels are currently operating in, nor scheduled to operate in, any war risk exclusion zones such as the Persian Gulf, Arabian Gulf, Gulf of Aqaba, and the Red Sea.

### Item 2. PROPERTIES

Vessels. At December 31, 2003, the Company owned a fleet of 27 vessels, of which 11 are tank barges, 12 are tugboats and 4 are oil tankers. The following table summarizes the Company's fleet:

Barges	Capacity in Barrels	Double-Hull	Double-Hull Redelivery Date	Married To
-----	-----	-----	-----	-----
MARITRANS 400	380,000	YES	**	CONSTITUTION
MARITRANS 300	265,000	YES	**	LIBERTY
M 254	250,000	YES	2002	INTREPID
M 252	250,000	YES	2002	NAVIGATOR
M 244	245,000	YES	2000	SEAFARER
OCEAN 215	210,000	NO		FREEDOM
OCEAN 211	207,000	NO		INDEPENDENT
OCEAN 210	207,000	NO		COLOMBIA
M 214	180,000	NO	2004	HONOUR
OCEAN 193	178,000	NO	EST. 2005	ENTERPRISE
M 192	175,000	YES	1998	VALOUR
Oil Tankers	Capacity in Barrels	Double-Hull		
-----	-----	-----		
ALLEGIANCE	252,000	NO		
PERSEVERANCE	252,000	NO		
INTEGRITY	265,000	YES	**	
DILIGENCE	265,000	YES	**	

\*\* These vessels were originally built with double-hulls.

The tugboat fleet also includes a 15,000 horsepower class vessel, which is not currently operating.

Other Real Property. Maritrans is headquartered in Tampa, Florida. In Tampa, the Company leases office space and four acres of Port Authority land. The Company also leases office space near Philadelphia, Pennsylvania.

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### Item 3. LEGAL PROCEEDINGS

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Maritrans is a party to routine, marine-related claims, lawsuits and labor arbitrations arising in the ordinary course of its business. The claims made in connection with the Company's marine operations are covered by insurance, subject to applicable policy deductibles that are not material as to any type of insurance coverage. Based on its current knowledge, management believes that such lawsuits and claims, even if the outcomes were to be adverse, would not have a material adverse effect on the financial condition and results of operations.

The Company has been named in approximately 120 cases in which individuals alleged unspecified damages for exposure to asbestos and, in most of these cases, for exposure to tobacco smoke. Although the Company believes these claims are without merit, it is impossible at this time to express a definitive opinion on the final outcome of any such suit. Management believes that any liability would be adequately covered by applicable insurance and would not have a material adverse effect on the Company's financial condition and results of operations.

In 1996, Maritrans filed suit against the United States government under the Fifth Amendment to the U.S. Constitution for "taking" Maritrans' tank barges without just compensation. The Fifth Amendment specifically prohibits the United States government from taking private property for public use without just compensation. The Company asserted that its vessels were taken by Section 4115 of OPA, which prohibits all existing single-hull tank vessels from operating in U.S. waters under a retirement schedule that began January 1, 1995, and ends on January 1, 2015. This OPA provision will force Maritrans to remove its single-hull barges from service commencing on January 1, 2005 or rebuild them, thus depriving the Company of their continued use for a significant portion of their remaining economic lives. In December 2001, the United States Court of Federal Claims ruled that the OPA double hull requirement did not constitute a taking of Maritrans' vessels. On September 9, 2003, the Court of Appeals for the Federal Circuit Court affirmed the Claims Court ruling. The Company has decided not to further appeal.

The Company is engaged in litigation instituted by a competitor to challenge its double-hull patent. Penn Maritime, Inc. v. Maritrans Inc., was filed in the U.S. District Court for the Eastern District of New York on September 6, 2001. The Plaintiff was seeking damages and an injunction restraining Maritrans from enforcing its patent, which if awarded, would have a material adverse effect on the Company. Maritrans challenged the jurisdiction of the Court of New York, and on March 31, 2003 the court dismissed the action. On April 3, 2003, Maritrans Inc. sued Penn Maritime, Inc. in the U.S. District Court for the Middle District of Florida (Maritrans Inc. v. Penn Maritime, Inc.) for patent infringement, misappropriation of Maritrans' trade secrets, and other causes of action. Penn Maritime, Inc. has filed an answer and counterclaim which essentially reiterates the claims made in its original suit. Since the initiation of action, the parties have amended and defined their claims. In addition to patent infringement, Maritrans now claims in excess of \$8 million in affirmative damages plus punitive damages under the Florida Trade Secrets Act. Penn Maritime, Inc. claims in excess of \$7 million plus punitive damages under the Sherman, Clayton and Lanham Acts, based on the claim that Maritrans obtained its patent through fraud. To obtain any affirmative recovery from Maritrans, Penn Maritime, Inc. must establish that Maritrans committed actual fraud in its submission to the U.S. Patent Office. The Company believes Penn Maritime, Inc.'s claim to be without merit.

#### Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Registrant's security holders, through the solicitation of proxies or otherwise, during the last quarter of the year ended December 31, 2003.

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## PART II

### Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

#### Market Information and Holders

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Maritrans Inc. Common Shares trade on the New York Stock Exchange under the symbol "TUG." The following table sets forth, for the periods indicated, the high and low sales prices per share as reported by the New York Stock Exchange.

QUARTERS ENDED IN 2003:	HIGH	LOW
-----	----	---
March 31, 2003	\$14.80	\$11.60
June 30, 2003	\$16.48	\$12.90
September 30, 2003	\$16.50	\$13.49
December 31, 2003	\$17.50	\$14.75

QUARTERS ENDED IN 2002:	HIGH	LOW
-----	----	---
March 31, 2002	\$14.00	\$10.95
June 30, 2002	\$15.70	\$13.01
September 30, 2002	\$13.86	\$10.65
December 31, 2002	\$13.50	\$10.75

As of March 5, 2004, the Registrant had 8,152,381 Common Shares outstanding and approximately 626 stockholders of record.

#### Dividends

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For the years ended December 31, 2003 and 2002, Maritrans Inc. paid the following cash dividends to stockholders:

PAYMENTS IN 2003:	PER SHARE
-----	-----
March 12, 2003	\$ .11
June 4, 2003	\$ .11
September 3, 2003	\$ .11
December 3, 2002	\$ .11
	-----
Total	\$ .44
	=====

PAYMENTS IN 2002:	PER SHARE
-----	-----
March 6, 2002	\$ .10
June 5, 2002	\$ .10
September 4, 2002	\$ .11
December 4, 2002	\$ .11
	-----
Total	\$ .42
	=====

The dividend policy is determined at the discretion of the Board of Directors of Maritrans Inc. While dividends have been made quarterly in each of



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the last two years, there can be no assurance that the dividend will continue.

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### Item 6. SELECTED FINANCIAL DATA

	MARITRANS INC.			
	January 1 to December 31, ((\$000, except per share amount))			
CONSOLIDATED INCOME STATEMENT DATA:	2003	2002	2001	2000
	-----	-----	-----	-----
Revenues (a).....	\$138,205	\$128,987	\$123,410	\$123,410
Depreciation and amortization .....	20,758	19,137	17,958	17,958
Operating income (b) .....	13,708	16,604	14,283	14,283
Interest expense .....	2,458	2,600	4,437	4,437
Income before income taxes .....	17,646	15,222	12,307	12,307
Income tax (benefit) provision .....	(1,089)	5,708	4,615	4,615
Net income .....	\$ 18,735	\$ 9,514	\$ 7,692	\$ 7,692
Basic earnings per share .....	\$ 2.35	\$ 1.18	\$ 0.77	\$ 0.77
Diluted earnings per share .....	\$ 2.22	\$ 1.10	\$ 0.72	\$ 0.72
Cash dividends per share .....	\$ 0.44	\$ 0.42	\$ 0.40	\$ 0.40
CONSOLIDATED BALANCE SHEET DATA (at period end):				
Total assets.....	\$220,529	\$211,557	\$200,427	\$200,427
Long-term debt.....	\$ 57,560	\$ 63,000	\$ 32,250	\$ 32,250
Stockholders' equity.....	\$ 85,174	\$ 69,387	\$ 88,064	\$ 88,064

- 
- (a) The decrease in revenue in 2000 resulted from the sale of vessels and petroleum storage terminals, which occurred in 1999.
- (b) Operating income in 2001 includes the reclassification of \$2.5 million, net of taxes, on the loss on extinguishment of debt in 2001 from an extraordinary item to operating income.

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

#### Overview

Maritrans serves the petroleum and petroleum product distribution industry by using tank barges, tugboats and oil tankers to provide marine transportation services primarily along the Gulf and Atlantic coasts of the United States. Between 1999 and 2003, the Company has transported at least 178 million barrels annually, with a high of 249 million barrels in 1999 and a low of 178 million barrels in 2002. The Company sold vessels in 1999 resulting in a reduction in capacity. In 2003 and 2002, the Company has transported 180 million and 178 million barrels, respectively. Many factors affect the number of barrels transported and may affect future results for the Company. Such factors include the Company's vessel and fleet size and average trip lengths, the continuation of federal law restricting United States point-to-point maritime shipping to U.S. vessels (the Jones Act), domestic oil consumption, environmental laws and regulations, oil companies' decisions as to the type and origination point of

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the crude that it processes, changes in the amount of imported petroleum products, competition, labor and training costs and liability insurance costs. Overall U.S. oil consumption during 1999-2003 fluctuated between 19.5 million and 20.3 million barrels a day.

Maritrans has successfully rebuilt four of its existing, single-hulled, barges to a double-hull design configuration, which complies with the provisions of the OPA (see table in "Legislation" under Item 1). The Company intends to apply the same methodology to all of its remaining single-hull barges. The timing of the rebuilds will be determined by a number of factors, including market conditions, shipyard pricing and availability, customer requirements and OPA retirement dates for the vessels. The OPA retirement dates fall between 2005 and 2010. Each of the

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Company's superbarges represent approximately 5 to 7 percent of the total fleet capacity, which will be removed from revenue generating service during the rebuilding of that vessel.

### Results of Operations

Time Charter Equivalent ("TCE") is a commonly used industry measure where direct voyage costs are deducted from revenue. Maritrans enters into various types of charters, some of which involve the customer paying substantially all voyage costs, while other types of charters involve Maritrans paying some or substantially all of the voyage costs. The Company's management believes that the presentation of TCE revenue provides useful information regarding the Company's financial condition and results of operations because TCE revenue essentially nets the voyage costs and voyage revenue to yield a measure that is comparable between periods regardless of the types of contracts utilized. These voyage costs are included in the "Operations expense" line item on the Consolidated Statements of Income. The Company began reporting on the TCE basis in the first quarter of 2002. TCE revenue is a non-GAAP financial measure and a reconciliation of TCE revenue to revenue, the most directly comparable GAAP measure, is set forth below.

Year Ended December 31, 2003 Compared With Year Ended December 31, 2002

#### Revenues

TCE revenue for the year ended December 31, 2003 compared to the year ended December 31, 2002 is as follows:

	12/31/03 -----	12/31/02 -----
Voyage revenue	\$138,205	\$128,987
Voyage costs	23,721	19,755
	-----	-----
Time Charter Equivalent	\$114,484	\$109,232
	=====	=====
Vessel utilization	84.3%	81.9%
	=====	=====
Available days	4,953	4,956
	=====	=====
Revenue days	4,616	4,485
	=====	=====

TCE revenue increased from \$109.2 million for the year ended December 31, 2002 to \$114.5 million for the year ended December 31, 2003, an increase of \$5.3 million or 5 percent primarily due to an increase in vessel utilization. The

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increase in utilization had a positive impact on voyage revenue and resulted from fewer vessels out of service for maintenance and double-hull rebuilding in the year ended December 31, 2003 compared to the year ended December 31, 2002. In the second quarter of 2002, the MARITRANS 254 was taken out of service for her double-hull rebuild and returned to service in November 2002. The OCEAN STATES was taken out of service early in September 2003 for her double-hull rebuild and is expected to return to service in the second quarter of 2004. Barrels of cargo transported increased from 177.6 million in the year ended December 31, 2002 to 180.0 million in the year ended December 31, 2003.

The majority of the Company's fleet was deployed in contract business in 2003 with limited exposure to the Jones Act spot market. Demand for the Company's services in its contract business during the current year increased compared to 2002 due to high refinery margins experienced by the Philadelphia area refineries in 2003, the need to supply MTBE inventories to the Northeastern U.S. and added demand for gasoline additives on the West Coast in the second and third quarters of 2003. In the fourth quarter of 2003, demand for the Company's services was similar to 2002 reflecting comparable market characteristics.

The Company had limited exposure to the spot market in 2003. Spot market rates were higher than in 2002 driven primarily by the impact of world and oil industry events early in the year on clean product inventory levels throughout the U.S. These events, including the war with Iraq, the oil industry strike in Venezuela, seasonal U.S. Gulf refinery maintenance and increased distillate demand caused by the cold first quarter in the Northeastern U.S., increased the demand for Jones Act vessels through the first three quarters of 2003 in order to re-supply the depleted clean product inventories, and to handle the added demand for gasoline additives in the West Coast caused by the ban of MTBE in gasoline. In the fourth quarter of 2003, the spot market characteristics were similar to those in 2002.

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Refined product imports, particularly from Europe, continued to have a dampening effect on demand for Jones Act transportation of refined products into the eastern U.S. in 2003.

In 2004, other than the scheduled double-hull rebuilding, the Company expects to experience out of service time consistent with 2003 levels for scheduled maintenance and may have more exposure to the spot market if all expiring contracts are not renewed. Utilization is expected to be at 2003 levels due to the out of service time of the double-hull rebuilds. Volumes of cargo transported in the Northeast are expected to decrease in 2004 as a result of cyclical dredging at customer refining facilities in early 2004 which will result in a reduced demand for the Company's services. The Company believes its 2004 contract rates will be similar to 2003. Late in the fourth quarter of 2003 several design issues were identified in three of the double-hull rebuilt 250,000 barrel class barges that led the Company to remove these vessels from service and further inspect and re-analyze the original rebuild designs. Working with industry experts and the American Bureau of Shipping, the Company identified structural enhancements that will improve the long-term strength of these three barges. The Company has acted in the first quarter of 2004 to make these repairs and enhancements, and as a result will experience out of service time that will lower first quarter results.

### Operations expense

Voyage costs increased from \$19.8 million for the year ended December 31, 2002 to \$23.7 million for the year ended December 31, 2003, an increase of \$3.9 million or 20 percent. Fuel costs increased \$2.5 million or 19 percent compared to 2002. The average price per gallon of fuel increased approximately 32 percent compared to 2002. Port charges increased \$1.5 million as a result of increased

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utilization and increases in the costs of the services provided.

Operations expense, excluding voyage costs discussed above, increased from \$46.5 million for the year ended December 31, 2002 to \$49.1 million for the year ended December 31, 2003, an increase of \$2.6 million or 6 percent. Crew expenses increased \$1.2 million due to seagoing salary increases in 2003. Shoreside support expenses increased \$1.1 million, primarily as a result of increased pension costs in 2003. Insurance expense increased \$0.8 million as a result of increased premiums charged by insurance companies on policies renewed in 2003.

### Maintenance expense

Maintenance expenses increased \$3.3 million or 17 percent from \$19.1 million for the year ended December 31, 2002 to \$22.4 million for the year ended December 31, 2003. Routine maintenance incurred during voyages and in port increased \$0.7 million from 2002 to 2003. Expenses accrued for maintenance in shipyards increased \$2.5 million from the year ended December 31, 2002 to the year ended December 31, 2003. In the second half of 2002 the Company increased its shipyard accrual rate to reflect the expected rise in costs resulting from an increase in regulatory and customer vetting requirements, which increases the scope and frequency of maintenance performed in the shipyard and results in increased costs. Higher accrual rates continued throughout 2003.

### Gain on Sale of Assets

Gain on sale of assets for the year ended December 31, 2003 of \$1.1 million consists of a pre-tax gain on the sale of property not used in operations.

### Operating Income

As a result of the aforementioned changes in revenue and expenses, operating income decreased from \$16.6 million for the year ended December 31, 2002 to \$14.8 million for the year ended December 31, 2003, a decrease of \$1.8 million or 12 percent.

### Other Income

Other income for 2003 includes a \$4.5 million reversal of an allowance relating to a note receivable from K-Sea Transportation LLC. The Company recorded an allowance for doubtful accounts equal to the note due to concerns over K-Sea's credit worthiness and periodically reviewed the appropriateness of the allowance. In January 2004, K-Sea repaid the \$4.5 million outstanding under the note. As a result of this receipt the Company reversed the \$4.5 million allowance related to the note receivable in the fourth quarter of 2003.

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### Income Tax (Benefit) Expense

Income tax expense decreased from \$5.7 million for the year ended December 31, 2002 to an income tax benefit of \$1.1 million for the year ended December 31, 2003, a decrease of \$6.8 million. The Company records reserves for income taxes based on the estimated amount of tax that it will likely have to pay based on its taxable net income. The Company periodically reviews its position based on available information and adjusts its income tax reserve accordingly. In the third quarter of 2003, the Company reduced its income tax reserve by \$7.7 million. Most of the amount of the reserve that was decreased related to the restructuring of Maritrans Partners L.P. to Maritrans Inc. in 1993. Due to the non-cash nature of the reduction, there was no corresponding effect on cash flow or income from operations.

### Net Income

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Net income increased from \$9.5 million for the year ended December 31, 2002 to \$18.7 million for the year ended December 31, 2003, an increase of \$9.2 million and resulted from the aforementioned changes in revenue and expenses. Net income for the year ended 2003 included the effect of the \$7.7 million decrease in the Company's tax reserve in the third quarter of 2003, discussed above.

Year Ended December 31, 2002 Compared With Year Ended December 31, 2001

### Revenues

TCE revenue for the year ended December 31, 2002 compared to the year ended December 31, 2001 is as follows:

	12/31/02 -----	12/31/01 -----
Voyage revenue	\$128,987	\$123,377
Voyage costs	19,755	21,502
	-----	-----
Time Charter Equivalent	\$109,232	\$101,875
	=====	=====
Vessel utilization	81.9%	83.4%
	=====	=====
Available days	4,956	4,948
	=====	=====
Revenue days	4,485	4,568
	=====	=====

TCE revenue increased from \$101.9 million for the year ended December 31, 2001 to \$109.2 million for the year ended December 31, 2002, an increase of \$7.3 million or 7 percent. Utilization decreased due to more vessels out of service time in the year ended December 31, 2002 as a result of vessels being taken out of service for maintenance. In late May 2002, the OCEAN 250 went out of service for her double-hull rebuild and re-entered service in the fourth quarter of 2002. In addition, the MARITRANS 252 was out of service in the beginning of 2002 while her double-hull rebuild was being completed. She re-entered service in the first quarter of 2002.

Term contract rates renewed with customers in 2001 were renewed at higher levels than those experienced in 2000 on long-term contracts. The increase in these rates resulted from a more stable supply/demand relationship in the Jones Act trade. These rate increases had a positive impact on 2002 revenue and helped to offset the weak spot market. Spot market rates were significantly lower in 2002 than in 2001 as a result of the following factors. Warm weather in the early part of 2002 in the Northeast reduced the demand for heating oil resulting in excess distillate inventory through most of the year. The cold weather in the Northeast in the fourth quarter of 2002 increased heating oil demand, but that demand was met mostly by the high inventories and imports from Europe. 2002 saw a continued reduction in the demand for jet fuel, which began with the terrorist attack of September 11th and continued throughout the year. Gasoline demand remained high throughout 2002. This demand was met primarily from increased imports from Europe as their sluggish economy reduced their internal demand. Refined product imports typically reduce demand for the Company's services by diminishing the need for U.S. Gulf refineries to supply product to the Atlantic coast. Barrels of cargo transported decreased from 183.5 million in the year ended December 31, 2001 to 177.6 million in the year ended December 31, 2002, due to decreases in demand and utilization (as discussed above).

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### Operations Expense

Voyage costs decreased from \$21.5 million for the year ended December 31, 2001 to \$19.8 million for the year ended December 31, 2002, a decrease of \$1.7 million or 8 percent. The primary decrease in voyage costs was in fuel costs, which resulted from the downturn in the economy in the later part of 2001 and continued in 2002. The average price per gallon of fuel decreased approximately 12 percent in 2002 compared to 2001.

Operations expense, excluding voyage costs discussed above, increased from \$43.2 million for the year ended December 31, 2001 to \$46.5 million for the year ended December 31, 2002, an increase of \$3.3 million or 8 percent. Crew expenses increased \$0.7 million for seagoing salaries in 2002 as a result of salary increases that took effect early in 2002. Insurance expense increased \$0.5 million as a result of increased premiums charged by the insurance companies on 2002 renewals and to additional deductible amounts paid in 2002. The cost of supplies for the vessels increased \$0.7 million compared to 2001. Professional fees increased by \$0.4 million in 2002 as compared to 2001 due to consulting costs incurred to review port security and other security issues.

### Maintenance Expense

Maintenance expenses increased \$3.4 million or 22 percent from \$15.7 million for the year ended December 31, 2001 to \$19.1 million for the year ended December 31, 2002. Routine maintenance expenses incurred during voyages and in port declined \$1.9 million in 2002 compared to 2001. Expenditure levels for maintenance incurred in shipyards increased \$5.3 million in 2002. This reflects efforts being made to meet increased regulatory and customer vetting requirements and rising shipyard costs. In the second half of 2002 the Company increased its shipyard accrual rate to reflect the expected rise in costs resulting from the above mentioned requirements, which increases the scope and frequency of maintenance performed in the shipyard and results in increased costs.

### Operating Income

As a result of the aforementioned changes in revenues and expenses, operating income increased from \$14.3 million for the year ended December 31, 2001 to \$16.6 million for the year ended December 31, 2002, an increase of \$2.3 million or 16 percent.

### Gain on Sale of Assets

Gain on sale of assets for the year ended December 31, 2001 of \$0.5 million consisted of a pre-tax gain on the sale of a barge.

### Interest Expense

Interest expense for the year ended December 31, 2002 was \$2.6 million compared to \$4.4 million for the year ended December 31, 2001, a decrease of \$1.8 million or 40 percent. The decrease was the result of the refinancing of debt that took place in the fourth quarter of 2001. The new debt has a variable interest rate, which is lower than the fixed interest rate of 9.25 percent on most of the previously held debt and therefore resulted in decreased interest expense when compared to 2001.

### Interest Income

Interest income for the year ended December 31, 2002 was \$0.9 million compared to interest income for the year ended December 31, 2001 of \$2.4 million, a decrease of \$1.5 million or 63 percent. Interest income decreased due to a lower amount of cash invested in 2002 compared to 2001. The decrease in the

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average cash balance is primarily the result of debt refinancing.

### Net Income

Net income increased from \$7.7 million for the year ended December 31, 2001 to \$9.5 million for the year ended December 31, 2002, an increase of \$1.8 million and resulted from the aforementioned changes in revenue and expenses.

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### Liquidity and Capital Resources

#### General

In 2003, net cash provided by operating activities was \$38.9 million. These funds, augmented by the Company's Credit Facility, were sufficient to meet debt service obligations and loan agreement covenants, to make capital acquisitions and improvements and to allow the Company to pay a dividend in each of the four quarters in 2003. Management believes funds provided by operating activities, augmented by the Company's Credit Facility, described below, and investing activities, will be sufficient to finance operations, anticipated capital expenditures, lease payments and required debt repayments in the foreseeable future. While dividends have been made quarterly in each of the last two years, there can be no assurances that the dividend will continue. The ratio of total debt to capitalization was .41:1 at December 31, 2003.

On February 9, 1999, the Board of Directors authorized a share buyback program for the acquisition of up to one million shares of the Company's common stock, which represented approximately 8 percent of the 12.1 million shares outstanding at that time. In February 2000 and again in February 2001, the Board of Directors authorized the acquisition of an additional one million shares in the program. The total authorized shares under the buyback program are three million. As of December 31, 2003, 2,485,442 shares had been purchased under the plan. The plan has been financed by internally generated funds. The Company intends to hold the majority of the shares as treasury stock, although some shares will be used for employee compensation plans and others may be used for acquisition currency and/or other corporate purposes.

In December 1999, the Company sold vessels to K-Sea Transportation LLC for a total of \$34 million, \$29 million in cash and \$4.5 million in the form of a subordinated note receivable maturing in December 2007. On January 14, 2004, K-Sea Transportation LLC paid all amounts outstanding under the note. As a result of this receipt the Company reversed the \$4.5 million allowance related to the note receivable in the quarter ended December 31, 2003. This amount was recorded in other income in the year ended December 31, 2003 consolidated statement of income.

#### Debt Obligations and Borrowing Facility

At December 31, 2003, the Company had \$60.1 million in total outstanding debt, secured by mortgages on some of the fixed assets of the Company. The current portion of this debt at December 31, 2003 is \$2.5 million.

In November 2001, the Company entered into an \$85 million credit and security agreement ("Credit Facility") with Citizens Bank (formerly Mellon Bank, N.A.) and a syndicate of other financial institutions ("Lenders"). Pursuant to the terms of the Credit Facility, the Company could borrow up to \$45 million of term loans and up to \$40 million under a revolving credit facility. Interest is variable based on either the LIBOR rate plus an applicable margin (as defined in the Credit Facility) or the prime rate. Principal payments on the term loans are required on a quarterly basis and began in April 2002. The Credit Facility expires in January 2007. The Company has granted first preferred ship mortgages

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and a first security interest in some of the Company's vessels and other collateral in connection with the Credit Facility. In September 2003, the Company paid the outstanding term loan balance of \$37 million. At December 31, 2003, there was \$23.5 million outstanding under the revolving line of credit. The Credit Facility requires the Company to maintain its properties in a specific manner, maintain specified insurance on its properties and business, and abide by other covenants, which are customary with respect to such borrowings. The Credit Facility also requires the Company to meet certain financial covenants. If the Company fails to comply with any of the covenants contained in the Credit Facility, the Lenders may foreclose on the collateral or call the entire balance outstanding on the Credit Facility immediately due and payable. The Company was in compliance with all applicable covenants at December 31, 2003 and currently expects to remain in compliance going forward.

In September 2003, the Company entered into new financing agreements. The new agreements consist of a \$7.3 million loan with Lombard US Equipment Financing Corp. with a 5-year amortization and a \$29.5 million loan with Fifth Third Bank with a 9.5-year amortization and a 50 percent balloon payment at the end of the term. The new debt accrues interest at an average fixed rate of 5.53 percent. The proceeds of the new debt were used to pay off the outstanding balance of the term loan under the Company's existing credit facility. Principal payments on the \$7.3 million loan are required on a quarterly basis and began in January 2004. Principal payments on the \$29.5 million loan are required on a monthly basis and began in November 2003. The Company has granted first preferred ship mortgages and a first security interest in some of the vessels and other collateral in connection with the new debt agreements. The loan agreements require the Company to maintain its properties in a specific manner, maintain

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specified insurance on its properties and business, and abide by other covenants, which are customary with respect to such borrowings. The loan agreements also require the Company to meet certain financial covenants that began in the quarter ended December 31, 2003. If the Company fails to comply with any of the covenants contained in the new debt agreements, the Lenders may foreclose on the collateral or call the entire balance outstanding on the new debt agreements immediately due and payable. The Company is in compliance with all such covenants at December 31, 2003 and currently expects to remain in compliance going forward.

As of December 31, 2003, the Company had the following amounts outstanding under its debt agreements:

- o \$23.5 million under the revolving credit facility;
- o \$7.3 million under the 5-year term loan; and
- o \$29.3 million under the 9.5-year term loan.

### Contractual Obligations

Total future commitments and contingencies related to the Company's outstanding debt obligations, noncancellable operating leases and purchase obligations as of December 31, 2003, are as follows:

(\$000's)				
Total	Less than One Year	One to Three Years	Three to Five Years	More t Ye
-----	----	-----	----	--



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Debt Obligations	\$ 60,093	\$ 2,533	\$ 5,491	\$ 29,612	\$ 22,
Operating Leases	2,793	507	864	857	
Purchase Obligations*	33,075	26,765	6,310	--	
	-----	-----	-----	-----	-----
Total	\$ 95,961	\$ 29,805	\$ 12,665	\$ 30,469	\$ 23,
	=====	=====	=====	=====	=====

\* Purchase obligations represent amounts due under existing vessel rebuild contracts.

In November 2002, the Company awarded a contract to rebuild the fifth large single-hull barge, the OCEAN STATES, to a double-hull configuration, which is expected to have a total cost of approximately \$24 million, of which \$18 million is a fixed contract with the shipyard. In addition to the double-hull rebuild, the OCEAN STATES will have a 30,000 barrel mid-body insertion. As of December 31, 2003, \$16.5 million has been paid to the shipyard contractor for the project. The Company has financed, and expects to continue the financing of, this project from a combination of internally generated funds and borrowings under the Company's Credit Facility. The rebuild of the OCEAN STATES will be completed in the first half of 2004.

In August 2003, the Company awarded a contract to rebuild its sixth large single-hull barge, the OCEAN 193, to a double-hull configuration, which is expected to have a total cost of approximately \$24 million, of which \$22 million is a fixed contract with the shipyard. As of December 31, 2003, \$4.2 million has been paid to the shipyard contractor for the project. The Company has financed, and expects to continue the financing of, this project from a combination of internally generated funds and borrowings under the Company's Credit Facility.

In October 2003, the Company awarded a contract to rebuild the tugboat Honour which currently works with the barge OCEAN STATES. The rebuild is expected to have a total cost of approximately \$6.5 million, of which \$3.7 million is a fixed contract with the shipyard. As of December 31, 2003, \$0.8 million has been paid to the shipyard contractor for the project. The Company has financed, and expects to continue the financing of, this project from a combination of internally generated funds and borrowings under the Company's Credit Facility. The rebuild of the Honour will be completed in the first half of 2004.

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### Critical Accounting Policies

#### Maintenance and Repairs

Provision is made for the cost of upcoming major periodic overhauls of vessels and equipment in advance of performing the related maintenance and repairs. Based on the Company's methodology, approximately one-third of this estimated cost is included in accrued shipyard costs as a current liability with the remainder classified as long-term. Although the timing of the actual disbursements have fluctuated over the years, particularly as a result of changes in the size of the fleet and timing of the large maintenance projects, the classification has been in line with the actual disbursements over time.

In September 2001, the rule making body of the AICPA issued an Exposure Draft on a Statement of Position, "Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment" (the "SOP"). This group, referred to

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as AcSEC, approved the SOP in September 2003. The SOP will be presented at a clearance meeting with the FASB in April 2004. If the SOP is cleared at that time, it would be applicable for fiscal years beginning after December 31, 2004 with early adoption encouraged. If the SOP is approved at the April meeting, the Company will consider early adoption as of January 1, 2004.

If the existing SOP is issued, it would require the Company to modify its accounting policy for maintenance and repairs. Such costs would no longer be accrued in advance of performing the related maintenance and repairs; rather, the SOP requires these costs to be expensed as incurred, unless they meet the capitalization provisions of the SOP, in which case the costs will be depreciated over their estimated useful lives. The Company has not yet quantified the impact of adopting the SOP on its financial statements; however, the Company's preliminary assessment is that the adoption of this pronouncement would decrease the shipyard accrual and increase stockholders' equity of the Company.

### Retirement Plans

Most of the shoreside employees participate in a qualified defined benefit retirement plan of Maritrans Inc. Substantially all of the seagoing supervisors who were supervisors in 1984, or who were hired as or promoted into supervisory roles between 1984 and 1998 have pension benefits under the Company's retirement plan for that period of time. Beginning in 1999, the seagoing supervisors retirement benefits are provided through contributions to an industry-wide, multi-employer seaman's pension plan. Upon retirement, those seagoing supervisors will be provided with retirement benefits from the Company's plan for service periods between 1984 and 1998, and from the multi-employer seaman's plan for other covered periods.

Net periodic pension cost was determined under the projected unit credit actuarial method. Pension benefits are primarily based on years of service and begin to vest after two years. Employees who are members of unions participating in Maritrans' collective bargaining agreements are not eligible to participate in the qualified defined benefit retirement plan of Maritrans Inc.

The Maritrans Inc. Retirement Plan utilizes a Tactical Asset Allocation investment strategy. This strategy shifts assets between fixed income and equity investments according to where the market is perceived to be heading. The range is between 75% and 25% in either form of investment. The results are measured against a constant benchmark consisting of 65% equity and 35% fixed income. Effective February 2004, the Company changed to a Strategic Asset Allocation investment strategy that maintains a targeted allocation to the benchmark of 65% equity and 35% fixed income.

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### Market Risk

The principal market risk to which the Company is exposed is a change in interest rates on debt instruments. The Company manages its exposure to changes in interest rate fluctuations by optimizing the use of fixed and variable rate debt. The table below presents principal cash flows by year of maturity. Variable interest rates disclosed fluctuate with the LIBOR and federal fund rates. The weighted average interest rate at December 31, 2003 was 4.71%.

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Liabilities (\$000)	Expected Years of Maturity				
	2004 ----	2005 ----	2006 ----	2007 ----	2008 ----
Fixed Rate	\$2,533	\$2,672	\$2,819	\$2,974	\$3,130
Average Interest Rate	5.53%	5.53%	5.53%	5.53%	5.53%
Variable Rate	\$ -	\$ -	\$ -	\$23,500	\$ -
Average Interest Rate	-%	-%	-%	3.43%	-%

Impact of Recent Accounting Pronouncements

In September 2001, the rule making body of the AICPA issued an Exposure Draft on a Statement of Position, "Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment" (the "SOP"). This group, referred to as AcSEC, approved the SOP in September 2003. The SOP will be presented at a clearance meeting with the Financial Accounting Standards Board ("FASB") in April 2004. If the SOP is cleared at that time, it would be applicable for fiscal years beginning after December 31, 2004 with early adoption encouraged. If the SOP is approved at the April meeting, the Company will consider early adoption as of January 1, 2004.

If the SOP is issued, it would require the Company to modify its accounting policy for maintenance and repairs. Such costs would no longer be accrued in advance of performing the related maintenance and repairs; rather, the SOP requires these costs to be expensed as incurred, unless they meet the capitalization provisions of the SOP, in which case the costs will be depreciated over their estimated useful life. The Company has not yet quantified the impact of adopting the SOP on its financial statements; however, the Company's preliminary assessment is that the adoption of this pronouncement would decrease the shipyard accrual and increase stockholders' equity of the Company.

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections" ("SFAS 145"). SFAS 145 requires, among other things, gains or losses on extinguishment of debt to be classified as income (loss) from continuing operations rather than as an extraordinary item, unless such extinguishment is determined to be extraordinary pursuant to Accounting Principles Board ("APB") Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of a Disposal of a Segment of a Business and Extraordinary, Unusual, and Infrequently Occurring Transactions" ("Opinion 30"). The provisions of SFAS 145 related to the rescission of SFAS 4 are effective for fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in Opinion 30 for classification as an extraordinary item must be reclassified. The Company adopted the provisions of SFAS 145 beginning January 1, 2003, and accordingly, reclassified the loss of \$4.0 million on the retirement of debt during the year ended December 31, 2001, from an extraordinary item to a separate component of income before taxes.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148"). SFAS 148 amends Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), to provide three alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 also amends the disclosure provisions of SFAS 123 and APB Opinion No. 28, "Interim Financial Reporting". SFAS 148 is effective for fiscal

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years ending after December 15, 2002, with certain disclosure requirements effective for interim periods beginning after December 15, 2002. The Company adopted the transition provision of SFAS 148 using the prospective method beginning January 1, 2003. The prospective method requires the Company to apply the fair value based method to all employee stock awards granted, modified or settled in its consolidated statements of income beginning on the date of adoption.

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### Item 7a. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

See discussion under "Market Risk" included in Management's Discussion and Analysis of Financial Condition and Results of Operations.

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### Item 8. FINANCIAL STATEMENTS & SUPPLEMENTAL DATA

#### Report of Independent Certified Public Accountants

Stockholders and Board of Directors

Maritrans Inc.

We have audited the accompanying consolidated balance sheets of Maritrans Inc. as of December 31, 2003 and 2002, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the management of Maritrans Inc. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Maritrans Inc. at December 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 December 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.

/s/ ERNST & YOUNG LLP

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Tampa, Florida  
January 26, 2004

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MARITRANS INC.  
CONSOLIDATED BALANCE SHEETS  
(\$000, except share amounts)

	December
	2003
	-----
ASSETS	
Current assets:	
Cash and cash equivalents .....	\$ 3,614
Trade accounts receivable (net of allowance for doubtful accounts of \$550 and \$690, respectively) .....	6,139
Other accounts receivable .....	3,140
Inventories .....	2,854
Deferred income tax benefit .....	9,074
Prepaid expenses .....	3,210
	-----
Total current assets .....	28,031
Vessels and equipment .....	364,134
Less accumulated depreciation .....	183,406
	-----
Net vessels and equipment .....	180,728
Notes receivable (net of allowance of \$4,500 in 2002).....	7,815
Goodwill.....	2,863
Other.....	1,092
	-----
Total assets .....	\$220,529
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Debt due within one year.....	\$ 2,533
Trade accounts payable .....	5,649
Accrued shipyard costs .....	4,315
Accrued wages and benefits .....	3,191
Other accrued liabilities .....	5,257
	-----
Total current liabilities .....	20,945
Long-term debt .....	57,560
Accrued shipyard costs .....	6,473
Other liabilities .....	3,229
Deferred income taxes .....	47,148
Stockholders' equity:.....	
Preferred stock, \$.01 par value, authorized 5,000,000 shares; none issued.....	--
Common stock, \$.01 par value, authorized 30,000,000 shares; issued: 2003 - 13,644,498 shares; 2002 - 13,558,970 shares .....	136
Capital in excess of par value .....	82,527
Retained earnings .....	51,205
Unearned compensation .....	(614)

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Less: Cost of shares held in treasury: 2003 - 5,485,404 shares; 2002 - 5,418,653 shares.....	(48,080)
Total stockholders' equity .....	85,174
Total liabilities and stockholders' equity .....	\$220,529
	=====

See accompanying notes.

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MARITRANS INC.  
CONSOLIDATED STATEMENTS OF INCOME

(\$000, except per share amounts)

	For the year ended Dec	
	2003	2002
	----	----
Revenues .....	\$138,205	\$128,987
Costs and expenses:.....		
Operations expense .....	72,826	66,299
Maintenance expense .....	22,361	19,088
General and administrative .....	8,552	7,859
Depreciation and amortization .....	20,758	19,137
Loss on extinguishment of debt .....	--	--
	-----	-----
Total operating expense .....	124,497	112,383
Gain on sale of assets .....	1,099	--
	-----	-----
Operating income .....	14,807	16,604
Interest expense (net of capitalized interest of \$442, \$383, and \$472 respectively).....	(2,458)	(2,600)
Interest income.....	768	857
Other income, net .....	4,529	361
	-----	-----
Income before income taxes.....	17,646	15,222
Income tax (benefit) provision .....	(1,089)	5,708
	-----	-----
Net income .....	\$ 18,735	\$ 9,514
	=====	=====
Basic earnings per share .....	\$ 2.35	\$ 1.18
Diluted earnings per share .....	\$ 2.22	\$ 1.10
Dividends declared per share .....	\$ 0.44	\$ 0.42

See accompanying notes.

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MARITRANS INC.

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### CONSOLIDATED STATEMENTS OF CASH FLOWS Increase (Decrease) in Cash and Cash Equivalents

(\$000)

	For the year ended De	
	2003	2002
	----	----
Cash flows from operating activities:		
Net income .....	\$ 18,735	\$ 9,514
Adjustments to reconcile net income to net cash provided by operating activities:.....		
Depreciation and amortization .....	20,758	19,137
Deferred income taxes .....	(3,261)	3,802
Stock compensation .....	829	193
Loss on extinguishment of debt .....	--	--
Changes in receivables, inventories and prepaid expenses .....	3,136	(1,045)
Changes in current liabilities, other than debt .....	5,164	1,747
Non-current changes, net .....	(5,392)	(2,130)
Gain on sale of assets .....	(1,099)	--
	-----	-----
Total adjustments to net income .....	20,135	21,704
	-----	-----
Net cash provided by operating activities .....	38,870	31,218
Cash flows from investing activities:.....		
Proceeds from sale of marine vessels and equipment .....	1,849	--
Release of cash and cash equivalents - restricted.....	--	--
Collections on notes receivable.....	465	766
Purchase of marine vessels and equipment .....	(25,376)	(32,681)
	-----	-----
Net cash used in investing activities .....	(23,062)	(31,915)
Cash flows from financing activities:		
Borrowings under long-term debt .....	36,790	9,000
Prepayment of Fleet Mortgage, including prepayment penalty of \$3,640 .....	--	--
Payment of long-term debt .....	(41,446)	(10,738)
Net (repayments) borrowings under credit facilities .....	(4,000)	27,500
Proceeds from stock option exercises .....	158	878
Purchase of treasury stock .....	(344)	(25,826)
Dividends declared and paid .....	(3,591)	(3,436)
	-----	-----
Net cash used in financing activities .....	(12,433)	(2,622)
Net increase (decrease) in cash and cash equivalents .....	3,375	(3,319)
Cash and cash equivalents at beginning of year .....	239	3,558
	-----	-----
Cash and cash equivalents at end of year .....	\$ 3,614	\$ 239
	-----	-----
Supplemental Disclosure of Cash Flow Information:		
Interest paid .....	\$ 2,423	\$ 2,624
Income taxes paid .....	\$ 15	\$ 500
Non-cash activities:		
Note receivable from sale of vessels .....	--	--
Reversal of note receivable allowance .....	\$ 4,500	--

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See accompanying notes.

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MARITRANS INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(\$000, except share amounts)

	Outstanding shares of Common Stock -----	Common Stock, \$.01 Par Value -----	Capital in excess of Par Value -----	Retained Earnings -----
Balance at January 1, 2001.....	10,866,675	\$133	\$78,959	\$26,444
Net income.....				7,692
Cash dividends (\$0.40 per share of Common Stock).....				(4,153)
Purchase of treasury shares.....	(802,000)			
Stock option exercises .....	44,587		146	
Stock incentives .....	50,964	--	676	--
	-----	----	-----	-----
Balance at December 31, 2001.....	10,160,226	133	79,781	29,983
	-----	----	-----	-----
Net income.....				9,514
Cash dividends (\$0.42 per share of Common Stock).....				(3,436)
Purchase of treasury shares.....	(2,234,296)			
Stock option exercises .....	210,311	2	773	
Stock incentives .....	4,076	--	426	--
	-----	----	-----	-----
Balance at December 31, 2002.....	8,140,317	135	80,980	36,061
	-----	----	-----	-----
Net income.....				18,735
Cash dividends (\$0.44 per share of Common Stock).....				(3,591)
Purchase of treasury shares.....	(28,742)			
Stock option exercises .....	65,580	1	202	
Stock incentives .....	(18,061)	--	1,345	--
	-----	----	-----	-----



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Balance at December 31, 2003.....	8,159,094	\$136	\$82,527	\$51,205	\$
	=====	====	=====	=====	=====

See accompanying notes.

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### NOTES TO THE CONSOLIDATED

#### FINANCIAL STATEMENTS

##### 1. Organization and Significant Accounting Policies

###### Organization

Maritrans Inc. owns Maritrans Operating Company L.P. (the "Operating Company"), Maritrans General Partner Inc., Maritrans Tankers Inc., Maritrans Barge Co., Maritrans Holdings Inc. and other Maritrans entities (collectively, the "Company"). These subsidiaries, directly and indirectly, own and operate oceangoing petroleum tank barges, tugboats, and oil tankers principally used in the transportation of oil and related products along the Gulf and Atlantic Coasts.

The Company primarily operates in the Gulf of Mexico and along the coastal waters of the Northeastern United States, particularly the Delaware Bay. The nature of services provided, the customer base, the regulatory environment and the economic characteristics of the Company's operations are similar, and the Company moves its revenue-producing assets among its operating locations as business and customer factors dictate. Maritrans believes that aggregation of the entire marine transportation business provides the most meaningful disclosure.

###### Principles of Consolidation

The consolidated financial statements include the accounts of Maritrans Inc. and subsidiaries, all of which are wholly owned. All significant intercompany transactions and accounts have been eliminated in consolidation.

###### Reclassifications

Certain amounts from prior year financial statements have been reclassified to conform to their current year presentation.

###### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

###### Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2003 and 2002 consisted of cash and commercial paper, the carrying value of which approximates fair value. For purposes of the consolidated financial statements, short-term highly liquid debt instruments with original maturities of three months or less are considered to be cash equivalents.

###### Inventories

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Inventories, consisting of materials, supplies and fuel are carried at cost, which does not exceed net realizable value. Inventory cost is determined using the first in, first out method.

### Vessels and Equipment

Vessels and equipment, which are carried at cost, are depreciated using the straight-line method. Vessels are depreciated over a period of up to 30 years. Certain electronic equipment is depreciated over periods of 7 to 10 years. Other equipment is depreciated over periods ranging from 2 to 20 years. Gains or losses on dispositions of vessels and equipment are included as a component of operating income in the accompanying consolidated statements of income. The Oil Pollution Act of 1990 requires all newly constructed petroleum tank vessels engaged in marine transportation of oil and petroleum products in the U.S. to be double-hulled and gradually phases out the operation of single-hulled tank vessels based on size and age. The Company has announced a construction program to rebuild its single-hulled barges with double hulls over the next several years. By July 2005, two of the Company's large oceangoing, single-hulled vessels will be at their legislatively determined retirement date if they are not rebuilt by that time.

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### NOTES TO THE CONSOLIDATED

#### FINANCIAL STATEMENTS (Continued)

Long-lived assets, including goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When required, an impairment loss is recognized based on the difference between the fair value of an asset and its related carrying value. During the years ended December 31, 2003, 2002 and 2001, the Company did not recognize an impairment loss.

### Intangible Assets

Other assets include \$2,863,000 of goodwill at December 31, 2003 and 2002. Goodwill represents the excess cost over the fair market value of the net assets acquired at the date of acquisition. Goodwill was being amortized using the straight-line method over twenty-five years through December 31, 2001.

### Maintenance and Repairs

Provision is made for the cost of upcoming major periodic overhauls of vessels and equipment in advance of performing the related maintenance and repairs. Based on the Company's methodology, approximately one-third of this estimated cost is included in accrued shipyard costs as a current liability with the remainder classified as long-term. Although the timing of the actual disbursements have fluctuated over the years, particularly as a result of changes in the size of the fleet and timing of the large maintenance projects, the classification has been in line with the actual disbursements over time. Non-overhaul maintenance and repairs are expensed as incurred.

In September 2001, the rule making body of the AICPA issued an Exposure Draft on a Statement of Position, "Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment" (the "SOP"). This group, referred to as AcSEC, approved the SOP in September 2003. The SOP will be presented at a clearance meeting with the FASB in April 2004. If the SOP is cleared at that time, it would be applicable for fiscal years beginning after December 31, 2004 with early adoption encouraged. If the SOP is approved at the April meeting, the Company will consider early adoption as of January 1, 2004.

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If the existing SOP is issued, it would require the Company to modify its accounting policy for maintenance and repairs. Such costs would no longer be accrued in advance of performing the related maintenance and repairs; rather, the SOP requires these costs to be expensed as incurred, unless they meet the capitalization provisions of the SOP, in which case the costs will be depreciated over their estimated useful lives. The Company has not yet quantified the impact of adopting the SOP on its financial statements; however, the Company's preliminary assessment is that the adoption of this pronouncement would decrease the shipyard accrual and increase stockholders' equity of the Company.

### Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the amount of assets and liabilities for financial reporting purposes and the amount used for income tax purposes.

### Revenue Recognition

Maritrans records revenue when services are rendered, it has a signed charter agreement or other evidence of an arrangement, pricing is fixed or determinable and collection is reasonably assured. Maritrans earns revenues under time charters and affreightment/voyage contracts. Revenue from time charters is earned and recognized on a daily basis. Revenue for affreightment/voyage contracts is recognized based upon the percentage of voyage completion. The percentage of voyage completion is based on the number of voyage days worked at the balance sheet date divided by the total number of days expected on the voyage.

### Significant Customers

During 2003, the Company derived revenues aggregating 46 percent of total revenues from three customers, each one representing more than 14 percent of revenues. In 2002, revenues from three customers aggregated 50 percent of total revenues and in 2001, revenues from three customers aggregated 61 percent of total revenues. The Company

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## NOTES TO THE CONSOLIDATED

### FINANCIAL STATEMENTS (Continued)

does not necessarily derive 10 percent or more of its total revenues from the same group of customers each year. In 2003, approximately 88 percent of the Company's total revenue was generated by ten customers. Credit is extended to various companies in the petroleum industry in the normal course of business. The Company generally does not require collateral. This concentration of credit risk within this industry may be affected by changes in economic or other conditions and may, accordingly, affect the overall credit risk of the Company.

### Related Party Transactions

The Company obtained protection and indemnity insurance coverage from a mutual insurance association, whose chairman is also the chairman of Maritrans Inc. The related insurance expense was \$2,359,000, \$2,398,000 and \$1,926,000 for the years ended December 31, 2003, 2002 and 2001, respectively. The Company paid amounts for legal services to a law firm, a partner of which serves on the Company's Board of Directors. The related legal expense was \$184,000, \$569,000 and \$381,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

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### Fair Value of Financial Instruments

The book value of cash, accounts and notes receivable, accounts payable, and accrued expenses approximate the carrying value due to the short-term nature of these financial instruments. The carrying value of the Company's long-term debt approximates fair value based on variable interest rates.

### Stock Based Compensation

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148"). SFAS 148 amends FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), to provide three alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 also amends the disclosure provisions of SFAS 123 and Accounting Principles Board ("APB") Opinion No. 28, "Interim Financial Reporting". SFAS 148 is effective for fiscal years ending after December 15, 2002, with certain disclosure requirements effective for interim periods beginning after December 15, 2002. The Company adopted the transition provision of SFAS 148 using the prospective method beginning January 1, 2003. The prospective method requires the Company to apply the fair value based method to all employee stock awards granted, modified or settled in its consolidated statements of income beginning on the date of adoption. If the Company had adopted SFAS 148 using the prospective method on January 1, 2002, diluted earnings per share would have been lower by \$0.02 for the year ended December 31, 2002.

Through December 31, 2002, the Company had elected to follow APB Opinion No. 25, "Accounting for Stock Issued to Employees and Related Interpretations" in accounting for its employee stock options. Pro forma information regarding net income and earnings per share is required by SFAS 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method. The fair value of these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions for 2003, 2002 and 2001, respectively: risk free rates of 2.9%, 4.4% and 5%; weighted average dividend yields of 3.6%, 3.4% and 5%; weighted average volatility factors of the expected market price of the Company's common stock of 0.31, 0.30 and 0.26; and a weighted average expected life of the option of seven years. The weighted average fair value of options granted in 2003, 2002 and 2001 was \$3.00, \$3.12 and \$1.47, respectively.

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### NOTES TO THE CONSOLIDATED

#### FINANCIAL STATEMENTS (Continued)

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options vesting period. The Company's pro forma information is as follows:

	2003	2002	2001
	----	----	----
	(\$000, except per share data)		
Net income as reported.....	\$18,735	\$9,514	\$7,692
Add: Stock based compensation included in net income, net of tax.....	32	--	--
Deduct: Total stock based compensation determined under the fair value method, net of tax.....	135	120	139

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Pro forma net income.....	\$18,632	\$9,394	\$7,553
	=====	=====	=====
Basic earnings per share as reported.....	\$ 2.35	\$1.18	\$0.77
Pro forma basic earnings per share .....	\$ 2.34	\$1.17	\$0.75
Diluted earnings per share as reported.....	\$ 2.22	\$1.10	\$0.72
Pro forma diluted earnings per share .....	\$ 2.21	\$1.08	\$0.71

Impact of Recent Accounting Pronouncements

In September 2001, the FASB issued Statements of Financial Accounting Standards No. 141, "Business Combinations", and No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill is no longer amortized but is subject to the annual impairment tests in accordance with the Statements. Other intangible assets continue to be amortized over their useful lives. The Company adopted the new rules on accounting for goodwill and other intangible assets on January 1, 2002. A reconciliation of net income for the year ended December 31, 2001 had goodwill not been amortized pursuant to SFAS No. 142 is as follows:

(\$000, except per share amounts)

Net income as reported	\$7,692		
Elimination of goodwill amortization	279		
	-----		
Adjusted net income	\$7,971		
	=====		
Adjusted basic earnings per share	\$ 0.79		
	=====		
Adjusted diluted earnings per share	\$ 0.75		
	=====		

The Company has completed its required impairment tests of goodwill for the year ended December 31, 2003 and the Company has concluded that there is no impairment of goodwill on the accompanying consolidated balance sheet.

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections" ("SFAS 145"). SFAS 145 requires, among other things, gains or losses of extinguishment of debt to be classified as income (loss) from continuing operations rather than as an extraordinary item, unless such extinguishment is determined to be extraordinary pursuant to Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of a Disposal of a Segment of a Business and Extraordinary, Unusual, and Infrequently Occurring Transactions" ("Opinion 30"). The provisions of SFAS 145 related to the rescission of SFAS 4 are effective for fiscal years beginning after May 15, 2002. Any gain or loss on extinguishment of debt that was classified as an extraordinary item in prior periods presented that does not meet the criteria in Opinion 30 for classification as an extraordinary item must be reclassified. The Company adopted the provisions of SFAS 145 beginning January 1, 2003 and reclassified the loss of \$2.5 million, net of taxes, on the retirement of debt during the year ended December 31, 2001, from an extraordinary item to a separate component of income before taxes.

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### 2. Stock Buyback

On February 9, 1999, the Board of Directors authorized a stock buyback program for the acquisition of up to one million shares of the Company's common stock. In February 2000 and again in February 2001, the Board of Directors authorized the acquisition of an additional one million shares in the program. The total authorized shares under the program are three million. As of December 31, 2003, 2,485,442 shares were purchased under the plan. The total cost of the shares repurchased during 2003 was \$0.3 million.

### 3. Earnings per Common Share

The following data show the amounts used in computing basic and diluted earnings per share (EPS):

	2003 ----	2002 ---- (\$000)	2001 ----
Income available to common stockholders used in basic EPS.....	\$ 18,735 =====	\$ 9,514 =====	\$ 7,692 =====
Weighted average number of common shares used in basic EPS.....	7,963	8,055	10,043
Effect of dilutive securities:			
Stock options and restricted shares.....	464 -----	629 -----	594 -----
Weighted number of common shares and dilutive potential common stock used in diluted EPS..	8,427 =====	8,684 =====	10,637 =====

The following options to purchase shares of common stock with their range of exercise prices were not included in the computation of diluted earnings per share for each period because their exercise prices were greater than the average market price of common stock during the relevant periods:

	2003 ----	2002 ----	2001 ----
Number of options	430	18,040	--
Range of exercise price	\$14.15	\$14.20	--

### 4. Shareholder Rights Plan

On June 26, 2002, the Board of Directors of Maritrans Inc. adopted a new Shareholder Rights Plan (the "Plan"), which became effective on August 1, 2002 and declared a dividend distribution of one Right for each outstanding share of Common Stock, \$.01 par value of the Company to stockholders of record at the close of business on August 1, 2002. The Plan became effective immediately upon the expiration of the Company's previous shareholder rights plan adopted in 1993. Under the Plan, each share of Common Stock has attached thereto a Right (a "Right") which entitles the registered holder to purchase from the Company one one-hundredth of a share (a "Preferred Share Fraction") of Series A Junior Participating Preferred Shares, par value \$.01 per share, of the Company ("Preferred Shares"), or a combination of securities and assets of equivalent value, at a Purchase Price of \$57, subject to adjustment. Each Preferred Share Fraction carries voting and dividend rights that are intended to produce the equivalent of one share of Common Stock. The Rights are not exercisable for a Preferred Share Fraction until the earlier of (each, a "Distribution Date") (i) 10 days following a public announcement that a person or group has acquired, or

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obtained the right to acquire, beneficial ownership of 20 percent or more of the outstanding shares of Common Stock or (ii) the close of business on a date fixed by the Board of Directors following the commencement of a tender offer or exchange offer that would result in a person or group beneficially owning 20 percent or more of the outstanding shares of Common Stock.

The Rights may be exercised for Common Stock if a "Flip-in" or "Flip-over" event occurs. If a "Flip-in" event occurs and the Distribution Date has passed, the holder of each Right, with the exception of the acquirer, is entitled

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### NOTES TO THE CONSOLIDATED

#### FINANCIAL STATEMENTS (Continued)

to purchase \$114 worth of Common Stock for \$57. The Rights will no longer be exercisable into Preferred Shares at that time. "Flip-in" events are events relating to 20 percent stockholders, including without limitation, a person or group acquiring 20 percent or more of the Common Stock, other than in a tender offer that, in the view of the Board of Directors, provides fair value to all of the Company's shareholders. If a "Flip-over" event occurs, the holder of each Right is entitled to purchase \$114 worth of the acquirer's stock for \$57. A "Flip-over" event occurs if the Company is acquired or merged and no outstanding shares remain or if 50 percent of the Company's assets or earning power is sold or transferred. The Plan prohibits the Company from entering into this sort of transaction unless the acquirer agrees to comply with the "Flip-over" provisions of the Plan.

The Rights can be redeemed by the Company for \$.01 per Right until up to ten days after the public announcement that someone has acquired 20 percent or more of the Company's Common Stock (unless the redemption period is extended by the Board in its discretion). If the Rights are not redeemed or substituted by the Company, they will expire on August 1, 2012.

#### 5. Stock Incentive Plans

Maritrans Inc. has a stock incentive plan (the "Plan"), whereby non-employee directors, officers and other key employees may be granted stock, stock options and, in certain cases, receive cash under the Plan. Any outstanding options granted under the Plan are exercisable at a price not less than market value of the shares on the date of grant. The maximum aggregate number of shares available for issuance under the Plan is 1,750,000. The Plan provides for the automatic grant of non-qualified stock options to non-employee directors, on a formulaic biannual basis, of options to purchase shares equal to two multiplied by the aggregate number of shares distributed to such non-employee director under the Plan during the preceding calendar year. In 2003, 2002 and 2001 there were 1,635, 3,203 and 4,064 shares, respectively, issued to non-employee directors. Compensation expense equal to the fair market value on the date of the grant to the directors is included in general and administrative expense in the consolidated statement of income. During 2003, 2002 and 2001, there were 42,945, 26,172 and 31,858 shares, respectively, of restricted stock issued under the Plan and subject to restriction provisions. The restrictions lapse in up to a three-year period from the date of grant. The weighted average fair value of the restricted stock issued during 2003, 2002 and 2001 was \$12.33, \$11.45 and \$8.85. The shares are subject to forfeiture under certain circumstances. Unearned compensation, representing the fair market value of the shares at the date of issuance, is amortized to expense on a straight-line basis over the vesting period. In April 2003, the Plan expired. Therefore there were no remaining shares or options reserved for grant at December 31, 2003. At December 31, 2002, 287,416 remaining shares and options within the Plan were reserved for grant.

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In May 1999, the Company adopted the Maritrans Inc. 1999 Directors' and Key Employees Equity Compensation Plan (the "99 Plan"), which provides non-employee directors, officers and other key employees with certain rights to acquire common stock and stock options. The aggregate number of shares available for issuance under the 99 Plan is 900,000 and the shares are to be issued from treasury shares. Any outstanding options granted under the 99 Plan are exercisable at a price not less than market value of the shares on the date of grant. In 2003 there were 1,746 shares issued to non-employee directors. Compensation expense equal to the fair market value on the date of the grant to the directors is included in general and administrative expense in the consolidated statement of income. During 2003, 2002 and 2001, there were 2,712, 35,706 and 35,147, respectively, shares of restricted stock issued under the 99 Plan and subject to restriction provisions. The restrictions lapse in up to a three-year period from the date of grant. The weighted average fair value of the restricted stock issued during 2003, 2002 and 2001 was \$14.15, \$11.62 and \$8.82. The shares are subject to forfeiture under certain circumstances. Unearned compensation, representing the fair market value of the shares at the date of issuance, is amortized to expense on a straight-line basis over the vesting period. At December 31, 2003 and 2002, 138,970 and 165,154 remaining shares and options within the Plan were reserved for grant, respectively.

Compensation expense for all restricted stock was \$623,000, \$715,000 and \$749,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

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### NOTES TO THE CONSOLIDATED

#### FINANCIAL STATEMENTS (Continued)

Information on stock options follows:

	Number of Options -----	Exercise Price -----	Weighted Average Exercise Price -----
Outstanding at 12/31/00 .....	1,066,515	4.000-9.125	5.87
Granted .....	89,429	8.550-8.850	8.77
Exercised .....	44,587	5.375-9.125	6.68
Cancelled or forfeited .....	--	--	--
Expired .....	15,147	6.250-9.125	8.03
	-----	-----	-----
Outstanding at 12/31/01 .....	1,096,210	4.000-9.125	6.04
	-----	-----	-----
Granted .....	79,131	11.450-14.200	12.08
Exercised .....	220,630	4.000-9.125	4.38
Cancelled or forfeited .....	14,697	6.000-8.850	7.47
Expired .....	5,023	7.938-9.125	8.19
	-----	-----	-----
Outstanding at 12/31/02.....	934,991	5.000-14.200	6.90
	-----	-----	-----
Granted .....	65,727	12.330-14.150	12.93
Exercised .....	65,580	5.000-6.000	5.40
Cancelled or forfeited .....	7,230	12.330	12.33
Expired .....	--	--	--
	-----	-----	-----
Outstanding at 12/31/03.....	927,908	5.625-14.200	7.39
	=====	=====	=====
Exercisable.....			
December 31, 2001 .....	544,905	4.000-9.125	5.51



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December 31, 2002 .....	543,777	5.000-9.125	6.25
December 31, 2003 .....	710,336	5.375-8.550	6.35

Outstanding options have an original term of up to ten years, are exercisable in installments over two to four years, and expired beginning in 2002. The weighted average remaining contractual life of the options outstanding at December 31, 2003 is 6 years.

6. Income Taxes

The income tax provision consists of:

	2003 ----	2002 ---- (\$000)	2001 ----
Current:			
Federal .....	\$ 2,027	\$1,499	\$3,000
State .....	145	407	175
Deferred:			
Federal .....	(3,045)	3,639	1,385
State .....	(216)	163	50
	----- \$ (1,089)	----- \$5,708	----- \$4,615
	=====	=====	=====

The differences between the federal statutory tax rate in 2003, 2002 and 2001 and the effective tax rates were as follows:

	2003 ----	2002 ---- (\$000)	2001 ----
Statutory federal tax provision .....	\$ 6,176	\$5,328	\$4,300
State income taxes, net of federal income tax benefit .	229	492	130
Non-deductible items .....	67	68	240
Other .....	(7,561)	(180)	(70)
	----- \$ (1,089)	----- \$5,708	----- \$4,615
	=====	=====	=====

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NOTES TO THE CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

Principal items comprising deferred income tax liabilities and assets as of December 31, 2003 and 2002 are:

	2003 ----	2002 ---- (\$000)
Deferred tax liabilities:		
Depreciation .....	\$41,554	\$49,432
Prepaid expenses .....	5,171	2,037
	-----	-----

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	46,725	51,469
	-----	-----
Deferred tax assets:		
Reserves and accruals .....	8,651	10,134
	-----	-----
	8,651	10,134
	-----	-----
Net deferred tax liabilities .....	\$38,074	\$41,335
	=====	=====

The Company's effective tax rate differs from the federal statutory rate due primarily to state income taxes and certain nondeductible items.

The Company records reserves for income taxes based on the estimated amounts that it would likely have to pay based on its taxable income. The Company periodically reviews its position based on the best available information and adjusts its income tax reserve accordingly. In the third quarter of 2003, the Company reduced its income tax reserve by \$7.7 million. Most of this decrease resulted from the income tax effects of the restructuring of Maritrans Partners L.P. to Maritrans Inc. in 1993. Due to the non-cash nature of the reduction, there was no corresponding effect on cash flow or income from operations.

7. Retirement Plans

Most of the shoreside employees participate in a qualified defined benefit retirement plan of Maritrans Inc. Substantially all of the seagoing supervisors who were supervisors in 1984, or who were hired as or promoted into supervisory roles between 1984 and 1998 have pension benefits under the Company's retirement plan for that period of time. Beginning in 1999, the seagoing supervisors retirement benefits are provided through contributions to an industry-wide, multi-employer seaman's pension plan. Upon retirement, those seagoing supervisors will be provided with retirement benefits from the Company's plan for service periods between 1984 and 1998, and from the multi-employer seaman's plan for other covered periods.

Net periodic pension cost was determined under the projected unit credit actuarial method. Pension benefits are primarily based on years of service and begin to vest after two years. Employees who are members of unions participating in Maritrans' collective bargaining agreements are not eligible to participate in the qualified defined benefit retirement plan of Maritrans Inc.

The following table sets forth changes in the plan's benefit obligation, changes in plan assets and the plan's funded status as of December 31, 2003 and 2002:

	2003	
	----	
		(\$000)
Change in benefit obligation		
Benefit obligation at beginning of year.....	\$ 27,466	
Service cost.....	518	
Interest cost.....	1,834	
Actuarial loss.....	2,682	
Benefits paid.....	(1,491)	
	-----	
Benefit obligation at end of year.....	\$ 31,009	
	=====	

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS (Continued)

Change in plan assets		
Fair value of plan assets at beginning of year.....	\$ 25,385	
Actual return on plan assets.....	4,818	
Benefits paid.....	(1,491)	
	-----	
Fair value of plan assets at end of year.....	\$ 28,712	
	-----	
Funded status.....	(2,298)	
Unrecognized net actuarial loss.....	(2,440)	
Unrecognized prior service cost.....	1,190	
Unrecognized net (asset)/obligation.....	--	
	-----	
Accrued benefit cost.....	\$ (3,548)	
	=====	
Information for pension plans with an accumulated benefit obligation in excess of plan benefits		
Projected benefit obligation.....	\$ 31,009	
Accumulated benefit obligation.....	\$ 29,733	
Fair value of plan assets.....	\$ 28,712	
Weighted average assumptions used to determine benefit obligations at December 31, 2003 and 2002		
Discount rate.....	6.00%	
Rate of compensation increase.....	5.00%	
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31, 2003 and 2002		
Discount rate.....	6.75%	
Expected rate of return.....	6.75%	
Rate of compensation increase.....	5.00%	
Plan asset distribution, at fair value		
Fixed income securities.....	36%	
Equity securities.....	62%	
Other.....	2%	
Total.....	100%	
Number of shares	1,649,311	1

Net periodic pension cost included the following components for the years ended December 31,

	2003	2002	2001
	----	----	----
		(\$000)	
Components of net periodic benefit pension cost			
Service cost of current period .....	\$ 518	\$ 505	\$ 513
Interest cost on projected benefit obligation .....	1,834	1,772	1,665
Expected return on plan assets.....	(1,664)	(2,006)	(2,062)
Amortization of net (asset)/obligation .....	--	--	(204)

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Amortization of prior service cost.....	138	138	132
Recognized net actuarial (gain)/loss.....	--	(401)	(597)
	-----	-----	-----
Net periodic pension cost .....	\$ 826	\$ 8	(\$ 553)
	=====	=====	=====

Substantially all of the shoreside employees participate in a qualified defined contribution plan. Contributions under the plan are determined annually by the Board of Directors of Maritrans Inc. and were \$230,000, \$132,000

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NOTES TO THE CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

and \$256,000 for the years ended December 31, 2003, 2002 and 2001, respectively. Approximately 52 percent of the Company's employees are covered under collective bargaining agreements. The Company expects to contribute \$645,000 to the retirement plan in 2004. Dividends received on plan assets were \$5,000, \$17,000 and \$592,000, for the years ended December 31, 2003, 2002 and 2001, respectively. All dividends received were reinvested in the plan.

The Maritrans Inc. Retirement Plan utilizes a Tactical Asset Allocation investment strategy. This strategy shifts assets between fixed income and equity investments according to where the market is perceived to be heading. The range is between 75% and 25% in either form of investment. The results are measured against a constant benchmark consisting of 65% equity and 35% fixed income. Effective February 2004, the Company changed to a Strategic Asset Allocation investment strategy that maintains a targeted allocation to the benchmark of 65% equity and 35% fixed income.

The long-term rate of return on plan assets is based on the current and expected asset allocations. Additionally, the long-term rate of return is based on historical returns, investment strategy, inflation expectations and other economic factors. The expected long-term rate of return is then applied to the market value of plan assets.

Beginning in 1999, all of the Company's seagoing employee retirement benefits are provided through contributions to industry-wide, multi-employer seaman's pension plans. Prior to 1999, the seagoing supervisors were included in the Company's retirement plan as discussed above. Contributions to industry-wide, multi-employer seamen's pension plans, which cover substantially all seagoing personnel, were approximately \$1,057,000, \$997,000 and \$940,000 for the years ended December 31, 2003, 2002 and 2001, respectively. These contributions include funding for current service costs and amortization of prior service costs of the various plans over periods of 30 to 40 years. The pension trusts and union agreements provide that contributions be made at a contractually determined rate per man-day worked. Maritrans Inc. and its subsidiaries are not administrators of the multi-employer seamen's pension plans.

8. Debt

Long term debt is as follows:

Decem  
2003  
----

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Term loan, graduated quarterly payments, maturity date January 2007, variable interest rate.....	\$ --
Revolving credit facility with Citizens Bank variable interest rate.....	23,500
Term loan, fixed monthly payments, 50% balloon payment at termination, maturity date April 2013, \$22,846 and \$6,457 at average fixed rates of 5.53% and 5.98%, respectively, at December 31, 2003.....	29,303
Term loan, fixed quarterly payments, maturity date October 2008, average fixed rate (5.14% at December 31, 2003).....	7,290
	-----
	60,093
Less current portion.....	2,533
	-----
	\$57,560
	=====

In October 2001, the Company paid off the Fleet Mortgage that was part of the original indebtedness incurred when the Company became a public company in 1987. The Company recorded a loss on extinguishment of debt of \$4.0 million in prepayment penalties and the write-off of unamortized financing costs related to the refinanced debt during the fourth quarter as a result of the repayment.

In November 2001, the Company entered into an \$85 million credit and security agreement ("Credit Facility") with Citizens Bank (formerly Mellon Bank N.A.) and a syndicate of other financial institutions ("Lenders"). Pursuant to the terms of the Credit Facility, the Company could borrow up to \$45 million of term loans and up to \$40 million under a revolving credit facility. Interest is variable based on either the LIBOR rate plus an applicable

NOTES TO THE CONSOLIDATED

FINANCIAL STATEMENTS (Continued)

margin (as defined in the Credit Facility) or the prime rate. The Company has granted first preferred ship mortgages and a first security interest in some of the Company's vessels and other collateral to the Lenders as a guarantee of the Credit Facility. In September 2003, the Company paid the outstanding term loan balance of \$37 million. At December 31, 2003, there was \$23.5 million outstanding under the revolving line of credit. The revolving credit facility expires in January 2007, at which time all amounts are due.

In September 2003, the Company entered into new financing agreements. The new agreements consist of a \$7.3 million loan with Lombard US Equipment Financing Corp. with a 5-year amortization and a \$29.5 million loan with Fifth Third Bank with a 9.5-year amortization and a 50 percent balloon payment at the end of the term. The new debt accrues interest at an average fixed rate of 5.53 percent. The proceeds of the new debt were used to pay off the outstanding balance of the term loan under the Company's Credit Facility. Principal payments on the \$7.3 million loan were required on a quarterly basis began in January 2004. Principal payments on the \$29.5 million loan were required on a monthly basis and began in November 2003. The Company has granted first preferred ship mortgages and a first security interest in some of the vessels and other collateral to the Lenders as a guarantee of the debt.

The Credit Facility and the financing agreements require the Company to maintain its properties in good condition, maintain specified insurance on its

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properties and business, and abide by other covenants, which are customary with respect to such borrowings. The Credit Facility also requires the Company to meet certain financial covenants. The Company was in compliance with all applicable covenants at December 31, 2003.

The maturity schedule for outstanding indebtedness under existing debt agreements at December 31, 2003 is as follows:

	(\$000)
2004 .....	\$ 2,533
2005 .....	2,672
2006 .....	2,819
2007 .....	26,474
2008 .....	3,138
Thereafter .....	22,457
	-----
	\$60,093
	=====

### 9. Commitments and Contingencies

Minimum future rental payments under noncancellable operating leases at December 31, 2003 are as follows:

	(\$000)
2004 .....	\$ 507
2005 .....	457
2006 .....	407
2007 .....	421
2008 .....	436
Thereafter .....	565
	-----
	\$2,793
	=====

Total rent expense for all operating leases was \$574,000, \$578,000, and \$582,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

In the ordinary course of its business, claims are filed against the Company for alleged damages in connection with its operations. Management is of the opinion that the ultimate outcome of such claims at December 31, 2003 will not have a material adverse effect on the consolidated financial statements.

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### NOTES TO THE CONSOLIDATED

#### FINANCIAL STATEMENTS (Continued)

In July 2002, the Company received a \$0.5 million litigation award and is included in other income in the consolidated statement of income.

The Company is engaged in litigation instituted by a competitor to challenge its double-hull patent. Penn Maritime, Inc. v. Maritrans Inc., was filed in the U.S. District Court for the Eastern District of New York on September 6, 2001. The Plaintiff was seeking damages and an injunction restraining Maritrans from enforcing its patent, which if awarded, would have a material adverse effect on the Company. Maritrans challenged the jurisdiction of the Court of New York, and on March 31, 2003 the court dismissed the action. On April 3, 2003, Maritrans Inc. sued Penn Maritime, Inc. in U.S. District Court for the Middle District of

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Florida (Maritrans Inc. v. Penn Maritime, Inc.) for patent infringement, misappropriation of Maritrans' trade secrets, and other causes of action. Penn Maritime, Inc. has filed an answer and counterclaim which essentially reiterates the claims made in its original suit. Since the initiation of action, the parties have amended and defined their claims. In addition to patent infringement, Maritrans now claims in excess of \$8 million in affirmative damages plus punitive damages under the Florida Trade Secrets Act. Penn Maritime, Inc. claims in excess of \$7 million in affirmative damages plus punitive damages under the Sherman, Clayton and Lanham Acts, based on the claim that Maritrans obtained its patent through fraud. To obtain any affirmative recovery from Maritrans, Penn Maritime, Inc. must establish that Maritrans committed actual fraud in its submission to the U.S. Patent Office. The Company believes Penn Maritime, Inc.'s claim to be without merit.

In November 2002, the Company awarded a contract to rebuild the fifth large single-hull barge, the OCEAN STATES, to a double-hull configuration, which is expected to have a total cost of approximately \$24 million, of which \$18 million is a fixed contract with the shipyard. In addition to the double-hull, the OCEAN STATES will have a 30,000 barrel mid-body insertion. As of December 31, 2003, \$16.5 million has been paid to the shipyard contractor for the project. The Company has financed, and expects to continue the financing of, this project from a combination of internally generated funds and borrowings under the Company's Credit Facility.

In August 2003, the Company awarded a contract to rebuild its sixth large single-hull barge, the OCEAN 193, to a double-hull configuration, which is expected to have a total cost of approximately \$24 million, of which \$22 million is a fixed contract with the shipyard. As of December 31, 2003, \$4.2 million has been paid to the shipyard contractor for the project. The Company has financed, and expects to continue the financing of this project from a combination of internally generated funds and borrowings under the Company's Credit Facility.

In October 2003, the Company awarded a contract to rebuild the tugboat Honour which currently works with the barge OCEAN STATES. The rebuild is expected to have a total cost of approximately \$6.5 million, of which \$3.7 million is a fixed contract with the shipyard. As of December 31, 2003, \$0.8 million has been paid to the shipyard contractor for the project. The Company will finance this project from a combination of internally generated funds and borrowings under the Company's Credit Facility.

In December 1999, the Company sold vessels to K-Sea Transportation LLC for a total of \$34 million, \$29 million in cash and \$4.5 million in the form of a subordinated note receivable maturing in December 2007. The Company recorded an allowance for doubtful accounts equal to the note due to concerns over the purchasers credit worthiness and periodically reviewed the appropriateness of the allowance. On January 14, 2004, the Company received payment of the \$4.5 million note from K-Sea Transportation LLC. As a result of this receipt the Company reversed the \$4.5 million allowance related to the note receivable in the quarter ended December 31, 2003. This amount was recorded in other income in the year ended December 31, 2003 consolidated statement of income.

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### NOTES TO THE CONSOLIDATED

#### FINANCIAL STATEMENTS (Continued)

##### 10. Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter
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	-----	-----	-----
	(\$000, except per share amounts)		
2003			
----			
Revenues .....	\$ 35,929	\$ 36,212	\$ 33,684
Operating income .....	5,443	6,265	2,045
Net income .....	3,179	3,754	8,603
Basic earnings per share.....	\$ 0.40	\$ 0.47	\$ 1.08
Diluted earnings per share.....	\$ 0.37	\$ 0.45	\$ 1.02
2002			
----			
Revenues .....	\$ 31,323	\$ 32,468	\$ 30,586
Operating income .....	5,311	4,738	2,600
Net income .....	2,957	2,759	1,687
Basic earnings per share.....	\$ 0.35	\$ 0.35	\$ 0.21
Diluted earnings per share.....	\$ 0.32	\$ 0.32	\$ 0.20

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company believes that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Change in Internal Control over Financial Reporting

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant



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### Corporate Governance Matters

The Company has adopted a Business Ethics Policy that applies to, among others, the Chairman, Chief Executive Officer, Chief Financial Officer and Controller, as required by Section 406 of the Sarbanes-Oxley Act of 2002. Furthermore, the Company has adopted Corporate Governance Guidelines and charters for its Audit, Compensation and Nominating and Corporate Governance Committees. Each of the foregoing is available on the Company's website at [www.maritrans.com](http://www.maritrans.com). The Company will provide copies of any of the foregoing upon receipt of a written request.

### Directors and Executive Officers of the Registrant

Information with respect to directors of the Registrant, and information with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934, is incorporated herein by reference to the Registrant's definitive Proxy Statement (the "Proxy Statement") to be filed with the Securities and Exchange Commission (the "Commission") not later than 120 days after the close of the year ended December 31, 2003, under the captions "Information Regarding Nominees For Election As Directors And Regarding Continuing Directors" and "Section 16(A) Beneficial Ownership Reporting Compliance."

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The individuals listed below are directors and executive officers of Maritrans Inc. or its subsidiaries.

Name -----	Age(1) -----	Position -----
Stephen A. Van Dyck	60	Chairman of the Board of Directors
Dr. Robert E. Boni (2)	76	Lead Director
Dr. Craig E. Dorman (2)(4)	63	Director
Frederick C. Haab (3)(4)	66	Director
Robert J. Lichtenstein (4)	56	Director
William A. Smith (2)(3)	59	Director
Brent A. Stienecker (3)	65	Director
Philip J. Doherty	44	Chief Executive Officer and President, Maritrans General Partner Inc.
Walter T. Bromfield	48	Vice President, Secretary and Chief Financial Officer
Stephen M. Hackett	45	Executive Vice President, Maritrans Operating Company L
Douglas R. Sparks	43	Executive Vice President, Maritrans Operating Company L
Rosalee R. Fortune	54	President, Maritrans Business Services Co., Inc.
Janice M. Van Dyck	44	Former Secretary

(1) As of March 1, 2004

(2) Member of the Compensation Committee

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- (3) Member of the Audit Committee
- (4) Member of the Nominating and Corporate Governance Committee

Mr. Van Dyck has been Chairman of the Board of the Company and its predecessor since April 1987. Prior to April 2003, Mr. Van Dyck also served as Chief Executive Officer of the Company and its predecessor since April 1987. For the previous year, he was a Senior Vice President - Oil Services, of Sonat Inc. and Chairman of the Boards of the Sonat Marine Group, another predecessor, and Sonat Offshore Drilling Inc. For more than five years prior to April 1986, Mr. Van Dyck was the President and a director of the Sonat Marine Group and Vice President of Sonat Inc. Mr. Van Dyck is a member of the Board of Directors of Amerigas Propane, Inc. Mr. Van Dyck is also the Chairman of the Board and a director of the West of England Ship Owners Mutual Insurance Association (Luxembourg), a mutual insurance association. See "Certain Transactions" in the Proxy Statement.

Mr. Doherty is Chief Executive Officer of the Company and President of Maritrans General Partner Inc., a wholly owned subsidiary of the Company. Mr. Doherty was appointed to Chief Executive Officer in April 2003 and has been continuously employed by Maritrans since 1997. Previously, Mr. Doherty was Director of Business Development for Computer Command and Control Company where he had been employed since April 1995.

Mr. Bromfield is Vice President, Secretary and Chief Financial Officer of the Company. Previously, Mr. Bromfield served as Treasurer and Controller of the Company and has been continuously employed in various capacities by Maritrans or its predecessors since 1981.

Mr. Hackett is Executive Vice President, Maritrans Operating Company L.P., a wholly owned subsidiary of the Company, and has been continuously employed in various capacities by Maritrans or its predecessors since 1980.

Mr. Sparks was appointed to Executive Vice President of Maritrans Operating Company L.P., a wholly owned subsidiary of the Company in July 2003. Prior to July 2003, Mr. Sparks had held various positions in operations

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and engineering management with the Company, and has been continuously employed by Maritrans since 2000. Previously, Mr. Sparks had been employed by Hvide Marine Inc. since 1991.

Ms. Fortune is President, Maritrans Business Services Co., Inc. a wholly owned subsidiary of the Company and began employment with the Company in 2003. Previously Ms. Fortune was a senior executive at the Don CeSar Hotel, a Loews Hotel, where she had been employed since 2000. Prior to that, Ms. Fortune had served as the Vice President of Human Resources at Fairmont Hotels Management Co., where she had been employed since 1995.

Ms. Van Dyck is the former Secretary of the Company. Previously, Ms. Van Dyck served as Senior Vice President of the Company and has been continuously employed by the Company or its predecessors in various capacities since 1982.

Item 11 Executive Compensation\*

Item 12 Security Ownership of Certain Beneficial Owners and Management\*

Item 13 Certain Relationships and Related Transactions\*

Item 14 Principal Accounting Fees and Services\*

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\*The information required by Item 11, Executive Compensation, by Item 12, Security Ownership of Certain Beneficial Owners and Management, by Item 13, Certain Relationships and Related Transactions and by Item 14, Principal Accounting Fees and Services, is incorporated herein by reference to the Proxy Statement under the headings "Compensation of Directors and Executive Officers", "Security Ownership of Certain Beneficial Owners and Management", "Certain Transactions" and "Independent Auditors".

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PART IV

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

(a) (1) Financial Statements

Report of Independent Certified Public Accountants

Maritrans Inc. Consolidated Balance Sheets at December 31, 2003 and 2002

Maritrans Inc. Consolidated Statements of Income for the years ended December 31, 2003, 2002 and 2001

Maritrans Inc. Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001

Maritrans Inc. Consolidated Statements of Stockholders' Equity for the years ended December 31, 2003, 2002 and 2001

Notes to the Consolidated Financial Statements

(2) Financial Statement Schedules

Schedule II Maritrans Inc. Valuation Accounts for the years ended December 31, 2003, 2002 and 2001.

All other schedules called for under Regulation S-X are not submitted because they are not applicable, not required, or because the required information is not material, or is included in the financial statements or notes thereto.

(b) Reports on Form 8-K

On November 3, 2003, the Registrant filed a Current Report on Form 8-K for the purpose of furnishing the press release announcing its earnings for the third quarter of 2003.

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Exhibits

Exhibit Index

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- 3.1 Certificate of Incorporation of the Registrant, as amended (Incorporated by reference herein to the Exhibit of the same number filed with the Corporation's Post-Effective Amendment 1 to Form S-4 Registration Statement No. 33-57378 dated January 26, 1993).
- 3.2 By Laws of the Registrant, amended and restated February 9, 1999 (Incorporated by reference herein to the Exhibit number in parentheses filed with Maritrans Inc. Annual Report on Form 10-K, dated March 30, 1999 for the fiscal year ended December 31, 1998.).
- 4.2 Rights Agreement dated as of August 1, 2002, between Maritrans Inc, and American Stock Transfer and Trust (Incorporated by reference herein to Exhibit 4 filed with the Maritrans Inc. Form 8-K, dated August 1, 2002).
- 10.1 Loan Agreement dated September 30, 2003 between Maritrans Inc., Maritrans Freedom Co., a Maritrans 215 Co. and Lombard US Equipment Finance Corporation (Incorporated by reference herein to the Exhibit 10.1 filed with the Maritrans Inc. quarterly report on Form 10-Q, dated November 7, 2003 for the quarter ended September 30, 2003).
- 10.2 Loan Agreement dated September 26, 2003 between Maritrans Inc., Maritrans 250 Co. and Maritrans Intrepid Co. and Fifth Third Bank (Incorporated by reference herein to the Exhibit 10.2 filed with the Maritrans Inc. quarterly report on Form 10-Q, dated November 7, 2003 for the quarter ended September 30, 2003).
- 10.3 Loan Agreement dated September 26, 2003 between Maritrans Inc. and Maritrans Navigator Co. and PNC Leasing LLC (Incorporated by reference herein to the Exhibit 10.3 filed with the Maritrans Inc. quarterly report on Form 10-Q, dated November 7, 2003 for the quarter ended September 30, 2003).
- 10.4 Credit and Security Agreement dated November 20, 2001, among Maritrans Inc., the Other Borrowers and Lenders and Mellon Bank N.A. for a term loan up to \$45,000,000 and a revolving credit facility up to \$40,000,000 (Incorporated by reference herein to Exhibit 10.4(f) filed with the Maritrans Inc. Annual Report on Form 10-K, dated March 15, 2002 for the fiscal year ended December 31, 2001).

### Executive Compensation Plans and Arrangements

- 10.5 Severance and Non-Competition Agreement, as amended and restated effective June 30, 2001 between Maritrans General Partner Inc. and Stephen M. Hackett (Incorporated by reference herein to the Exhibit 10.5 filed with the Maritrans Inc. Annual Report on Form 10-K, dated March 15, 2002 for the fiscal year ended December 31, 2001).
- 10.6 Severance and Non-Competition Agreement, effective July 30, 2003, between Maritrans General Partner Inc. and Douglas R. Sparks.
- 10.7 Employment Agreement, as amended and restated effective April 1, 2003 between Maritrans Inc. and Stephen A. Van Dyck (Incorporated by reference herein to the Exhibit 10.7 filed with the Maritrans Inc. Annual Report on Form 10-K, dated March 10, 2003 for the fiscal year ended December 31, 2002).
- 10.8 Severance and Non-Competition Agreement, effective September 25, 2003, between Maritrans General Partner Inc. and Rosalee R. Fortune.
- 10.9 Employment, Severance and Non-Competition Agreement, effective December 14, 2001, between Maritrans Inc. and Janice M. Van Dyck (Incorporated by reference herein to the Exhibit 10.9 filed with the Maritrans Inc. Annual Report on Form 10-K, dated March 15, 2002 for the fiscal year ended December 31, 2001).

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- 10.10 Profit Sharing and Savings Plan of Maritrans Inc. as amended and restated effective January 1, 2002 (Incorporated by reference herein to the Exhibit 10.7 filed with the Maritrans Inc. Annual Report on Form 10-K, dated March 10, 2003 for the fiscal year ended December 31, 2002).
- 10.11 Executive Award Plan of Maritrans GP Inc. (Incorporated by reference herein to Exhibit 10.7 filed with the Maritrans Partners L. P. Annual Report on Form 10-K, dated March 29, 1993 for the fiscal year ended December 31, 1992).
- 10.12 Excess Benefit Plan of Maritrans GP Inc. as amended and restated effective January 1, 1992 (Incorporated by reference herein to Exhibit 10.32 filed with the Maritrans Partners L. P. Annual Report on Form 10-K, dated March 29, 1993 for the fiscal year ended December 31, 1992).
- 10.13 Retirement Plan of Maritrans GP Inc. as amended and restated effective January 1, 2002 (Incorporated by reference herein to the Exhibit 10.7 filed with the Maritrans Inc. Annual Report on Form 10-K, dated March 10, 2003 for the fiscal year ended December 31, 2002).
- 10.15 Executive Compensation Plan as amended and restated effective March 18, 1997 (Incorporated by reference herein to Exhibit A of the Registrant's definitive Proxy Statement filed on March 31, 1997).
- 10.16 1999 Directors Equity and Key Employees Equity Compensation Plan (Incorporated by reference herein to the Exhibit 99.1 filed with the Maritrans Inc. Form S-8 Registration Statement 333-79891 dated June 3, 1999).
- 10.17 Severance and Non-Competition Agreement, as amended and restated effective October 1, 2002 between Maritrans General Partner Inc. and Philip J. Doherty (Incorporated by reference herein to the Exhibit 10.17 filed with the Maritrans Inc. quarterly report on Form 10-Q, dated November 12, 2002 for the quarter ended September 30, 2002).
- 10.18 Severance and Non-Competition Agreement, as amended and restated effective July 12, 2002 between Maritrans Inc. and Walter T. Bromfield (Incorporated by reference herein to the Exhibit 10.18 filed with the Maritrans Inc. quarterly report on Form 10-Q, dated November 12, 2002 for the quarter ended September 30, 2002).
- 21.1 Subsidiaries of Maritrans Inc.
- 23.1 Consent of Independent Certified Public Accountants
- 31.1 Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 31.2 Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- 32.1 Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
- 32.2 Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.

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### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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MARITRANS INC.  
(Registrant)  
By: /s/ Philip J. Doherty  
-----  
Philip J. Doherty  
Chief Executive Officer  
Dated: March 12, 2004

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

By: /s/ Stephen A. Van Dyck  
-----  
Stephen A. Van Dyck Chairman of the Board Dated: March 12,

By: /s/ Philip J. Doherty  
-----  
Philip J. Doherty Chief Executive Officer Dated: March 12,  
(Principal Executive Officer)

By: /s/ Dr. Robert E. Boni  
-----  
Dr. Robert E. Boni Lead Director Dated: March 12,

By: /s/ Dr. Craig E. Dorman  
-----  
Dr. Craig E. Dorman Director Dated: March 12,

By: /s/ Frederick C. Haab  
-----  
Frederick C. Haab Director Dated: March 12,

By: /s/ Robert J. Lichtenstein  
-----  
Robert J. Lichtenstein Director Dated: March 12,

By: /s/ William A. Smith  
-----  
William A. Smith Director Dated: March 12,

By: /s/ Brent A. Stienecker  
-----  
Brent A. Stienecker Director Dated: March 12,

By: /s/ Walter T. Bromfield  
-----  
Walter T. Bromfield Chief Financial Officer Dated: March 12,  
(Principal Financial Officer)

By:

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/s/ Judith M. Cortina

-----  
Judith M. Cortina

Controller  
(Principal Accounting Officer)

Dated: March 12,

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MARITRANS INC.

SCHEDULE II - VALUATION ACCOUNTS

(\$000)

DESCRIPTION -----	BALANCE AT BEGINNING OF PERIOD -----	CHARGED TO COSTS AND EXPENSES -----	DEDUCTIONS -----	B AT P -----
JANUARY 1 TO DECEMBER 31, 2001				
Allowance for doubtful accounts .....	\$ 1,216	\$ (469)	\$ 57 (a)	\$
Allowance for notes receivable.....	\$ 4,500	\$ --	\$ --	\$
Accrued shipyard costs .....	\$19,927	\$ 7,927	\$11,929 (b)	\$
JANUARY 1 TO DECEMBER 31, 2002				
Allowance for doubtful accounts .....	\$ 690	\$ --	\$ --	\$
Allowance for notes receivable.....	\$ 4,500	\$ --	\$ --	\$
Accrued shipyard costs .....	\$15,925	\$12,860	\$16,135 (b)	\$
JANUARY 1 TO DECEMBER 31, 2003				
Allowance for doubtful accounts .....	\$ 690	\$ --	\$ 140 (a)	\$
Allowance for notes receivable.....	\$ 4,500	\$ --	\$ 4,500 (c)	\$
Accrued shipyard costs .....	\$12,650	\$15,396	\$17,258 (b)	\$

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(a) Deductions are a result of write-offs of uncollectible accounts receivable for which allowances were previously provided.

(b) Deductions reflect expenditures for major periodic overhauls.

(c) Deduction reflects reversal of \$4.5 million note receivable allowance upon payment in full by K-Sea Transportation LLC.

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