

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

MARITRANS INC /DE/  
Form 10-K  
March 15, 2002

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, 2001

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 No.)

TWO HARBOUR PLACE 33602 (Zip Code)  
302 KNIGHTS RUN AVENUE  
TAMPA, FLORIDA  
(Address of principal executive offices)

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

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

amendment to this Form 10-K. |\_|

As of March 8, 2002, the aggregate market value of the common stock held by non-affiliates of the registrant was \$103,395,762. As of March 8, 2002, Maritrans Inc. had 8,223,933 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 May 14, 2002.

Exhibit Index is located on page 37.

=====

MARITRANS INC.  
TABLE OF CONTENTS

PART I

Item 1.	Business.....
Item 2.	Properties.....
Item 3.	Legal Proceedings.....
Item 4.	Submission Of Matters To A Vote Of Security Holders.....

PART II

Item 5.	Market For The Registrant's Common Equity And Related Stockholder Matters.....
Item 6.	Selected Financial Data.....
Item 7.	Management's Discussion And Analysis Of Financial Condition And Results Of Oper
Item 8.	Financial Statements & Supplemental Data.....
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Discl

PART III

Item 10.	Directors and Executive Officers of the Registrant.....
Item 11.	Executive Compensation.....
Item 12.	Security Ownership of Certain Beneficial Owners and Management.....
Item 13.	Certain Relationships and Related Transactions.....

PART IV

Item 14.	Exhibits, Financial Statement Schedules And Reports On Form 8-K.....
Signatures	.....

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")

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

constitute forward-looking statements under Section 27A of the Securities Act of 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' operating and sourcing decisions, competition for marine transportation, domestic 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, the impact of the early pay-down of long-term debt on operating results, changes in interest rates, the effect of 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.

ii

### 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 tugs, barges and oil tankers to provide marine transportation services primarily along the East and Gulf

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

Coasts of the United States.

### Structure

**Current.** The Registrant is a Delaware corporation whose common stock, par value \$.01 per share ("Common Stock"), is publicly traded. 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. On March 31, 1993, the limited partners of the Partnership voted on a proposal to convert the Partnership to a corporation. The proposal was approved and 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 1981, Maritrans and its predecessors have transported annually over 183 million barrels of crude oil and refined petroleum products. The Company operates a fleet of oil tankers, tank barges and tugboats. 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 also 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.

Operations directly supporting clean oil transportation are located in Tampa, Florida, and provide marine transportation services for petroleum products from refineries located in Texas, Louisiana, Mississippi and Puerto Rico to distribution points along the Gulf and Atlantic Coasts, generally south of Cape Hatteras, North Carolina and particularly into Florida. Operations directly supporting lightering services for large tankers are located in the Philadelphia area. 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 tanker to navigate draft-restricted rivers and ports to discharge cargo at a refinery or storage and distribution

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

terminal.

In October 2001, the Company repaid \$33.0 million of its long-term debt in advance of its due date. The Company recorded an extraordinary charge of approximately \$2.5 million, net of taxes, or approximately \$0.24

1

per share, in prepayment penalties and the write-off of unamortized financing costs in 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 can 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 or prime rate plus an applicable margin (as defined). Principal payments on the term loans are required on a quarterly basis beginning in April 2002. The Credit Facility expires in January 2007. The Company has granted first preferred ship mortgages and a first security interest in the vessels and other collateral to the Lenders as a guarantee of the debt. At December 31, 2001, there was \$36 million of term loans outstanding under the Credit Facility. No amounts were outstanding under the revolving line of credit.

During December 2001, the Company announced a self-tender offer (the "Offer") to purchase up to 2,000,000 shares of its common stock at a price between \$11.00 and \$12.50. On January 18, 2002, the Offer closed, and the Company subsequently purchased 2,176,296 shares of common stock for a purchase price of \$11.50 per share, or approximately \$25.0 million. The purchase price was funded through borrowings under the Company's Credit Facility.

### Sales and Marketing

Maritrans provides marine transportation services primarily to integrated oil companies, independent oil companies 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.

The Company relies primarily on direct sales efforts. 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 have begun to select transporters in larger measure than in the past on the basis of a demonstrated record of safe operations. Maritrans believes that the measures it has implemented in the last ten years 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. Maritrans continues to maintain these certifications.

In 2001, approximately 92 percent of the Company's revenues were generated from 10 customers. Contracts with Sunoco Inc., Marathon Ashland Petroleum and

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

Chevron accounted for approximately 21 percent, 20 percent, and 20 percent, respectively, of the Company's revenue. During 2001, contracts were renewed with some of the Company's larger customers. There could be a material effect on Maritrans if any of these customers were to cancel or terminate their various agreements with the Company. However, management believes that cancellation or termination of all its business with 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 geographic areas and in certain business activities, Maritrans competes with the operators of petroleum product pipelines. Competitive factors that also affect Maritrans include the output of United States refineries and the importation of refined petroleum products.

2

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 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 2001 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, which is a significant number of the vessels able to compete in this market. The relatively large size of the Company's fleet can generally provide greater flexibility in meeting customers' needs.

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.

Refined Product Pipelines. Existing refined product pipelines generally are the lowest incremental cost method for the long-haul movement of petroleum and

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

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 Maritrans. 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.

**Delaware River Channel Deepening.** Legislation approved by the United States Congress in 1992 authorizes the U.S. Army Corps of Engineers to deepen the channel of the Delaware River between the river's mouth and Philadelphia from forty to forty-five feet. Congress has appropriated \$10 million in the 2000 fiscal year budget, \$29 million in the 2001 fiscal year budget and \$10 million in the 2002 fiscal year budget for construction. A Project Cooperation Agreement (PCA) must be executed before the Corps of Engineers can use the appropriated funds. As of the end of 2001, the Company was not aware of the PCA having been executed. In addition, the Corps is required to obtain a State of Delaware permit to dredge in that state's waters. The Corps has made an application for that permit. Currently the State of Delaware is processing the application. The General Accounting Office is currently reviewing the economic viability of the project at the request of several members of the New Jersey congressional delegation. If this project becomes fully funded at the federal and state levels and fully constructed (including access dredging by private refineries), it would have a material adverse effect on Maritrans' lightering business. The Company's lightering business primarily occurs at the mouth of the Delaware

3

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.

### Employees and Employee Relations

At December 31, 2001, Maritrans and its subsidiaries had a total of 395 employees. Of these employees, 56 are employed at the Tampa, Florida headquarters of the Company or at the Philadelphia area office, 203 are seagoing employees who work aboard the tugs and barges and 136 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 one-third of the total number of seagoing employees

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

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 152 employees consisting of seagoing non-supervisory personnel on the tug/barge units and on the tankers. The tug/barge supplement of the agreement expires on May 31, 2002 and is expected to be renewed at that time. The tankers supplement of the agreement expires on May 31, 2006. The collective bargaining agreement with the AMO covers approximately 54 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. Maritrans 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 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 ships, tugboats and barges 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. Tank ships, tugboats and barges 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 and 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 United States flag vessels be manned by United States citizens. Foreign-flag seamen generally receive lower wages and benefits than those received by United States 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 new vessels and repairs than those paid by United States-flag vessel owners, such as Maritrans, to United States 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 United States-flag operators than for owners of vessels registered under foreign flags of



convenience. Because Maritrans transports petroleum and petroleum products between United States 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 United States 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. Legislation to this effect was introduced into Congress during 2000. Congress took no action on this legislation. Management expects that efforts to gain access to the Jones Act trade as well as attempts to block the introduction will continue.

#### Environmental Matters

Maritrans' operations present potential environmental risks, primarily through the marine transportation of petroleum. Maritrans, 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 significant Resource Conservation and Recovery Act oil pollution, it is foreseeable that additional legislation or regulation could be imposed on marine carriers that could affect Maritrans' 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 of the greater of \$1,200 per gross ton or \$10 million per tank vessel. 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

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

liability for vessel owners and operators.

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 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 U.S. Coast Guard regulations. Additional financial responsibility in the amount of \$300 per gross ton is required under U.S. 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

5

greatest maximum liability (approximately \$40 million in Maritrans' case). The Company has acquired such certificates through filing required financial information with the U.S. Coast Guard.

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 includes most of Maritrans' existing barges. Three of the Company's large oceangoing, single-hulled barges will be affected on January 1, 2005. Currently five of the Company's barges and two tankers are equipped with double-hulls meeting OPA's requirements. Maritrans 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 first rebuilt barge, the MARITRANS 192, was completed and entered service in November 1998. The second rebuilt barge, the MARITRANS 244, was completed and entered service in December 2000. The third rebuilt barge, the MARITRANS 252 (formerly the OCEAN CITIES), was completed and entered service in February 2002. Work has already commenced on a fourth single-hull barge, the OCEAN 250, which is scheduled to enter the shipyard in the spring of 2002. 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 \$55-75 per barrel compared to estimated costs of approximately \$125-175 per barrel for construction of a completely new double-hull barge. The total cost of the barge rebuild program is expected to exceed \$150 million of which approximately \$45 million has already been incurred. In 2001, the Company extensively refurbished the tugboat that works with the MARITRANS 252 at a cost of approximately \$5 million. The Company also plans to refurbish the tugboat that works with the OCEAN 250 during the time that the OCEAN 250 is undergoing her double-hull rebuilding and plans to continue this tug refurbishment process during future barge rebuilds.

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 Maritrans seagoing employees. In addition, many of

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

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 U.S. 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.

Since its inception, Maritrans has maintained and cultivated a strong safety culture and environment ethic. The following table sets forth Maritrans' quantifiable cargo oil spill record for the period January 1, 1997 through December 31, 2001:

Period -----	No. of Gals. Carried ----- (000)	No. of Spills -----	No. of Gals. Spilled ----- (000)	Gallons Spilled Per Million Gals. Carried -----
1/1/1997 -- 12/31/1997	10,136,000	1	.05	.005
1/1/1998 -- 12/31/1998	10,987,000	3	.29	.027
1/1/1999 -- 12/31/1999	10,463,000	5	.06	.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

6

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 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. Maritrans has found it increasingly expensive to manage the wastes generated in its operations.

**Air Pollution Regulations.** Pursuant to the 1990 amendments to the Clean Air

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

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 tugboats, tank barges or tank ships, including those owned by Maritrans. 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. 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. Recently, the EPA entered into a court settlement that will expand its rule making to include large diesel engines that were not previously addressed in the 1999 final rule. In addition, a recent U. S. Supreme Court ruling confirmed the EPA's authority to set air health-based quality standards without regard to the cost of compliance. The implications, if any, of this ruling upon Maritrans is not known at this time. The emission control requirements noted herein could result in a material expenditure by Maritrans, which could have an adverse effect on Maritrans' profitability if it is not able to recoup these costs through increased charter rates.

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 upon the financial condition and results of operations of Maritrans.

War Risk. In February 2002 insurance carriers determined that terrorist attacks would no longer be covered under the Company's traditional protection and indemnity insurance but would be covered under "war risk" protection and indemnity insurance. The maximum amount of coverage available under war risk insurance is currently \$200 million. At this time, there are no clear guidelines on what constitutes a terrorist attack for insurance purposes. While the Company has traditional protection and indemnity insurance in excess of \$2 billion and oil spill insurance of \$1 billion, if an incident was deemed to be a terrorist attack, the maximum coverage would be \$200 million, which could prove to be insufficient. The Company is currently seeking higher levels of coverage. In addition, the Company carries war risk insurance on the hull value of the Company's vessels.

### Item 2. PROPERTIES

Vessels. The Company's subsidiaries owned, at December 31, 2001, a fleet of 27 vessels, of which 4 are oil tankers, 11 are barges and 12 are tugboats.

The oil tanker fleet consists of four tankers ranging in capacity from 242,000 barrels to 265,000 barrels. These vessels were constructed between 1975 and 1981.

The barge fleet consists of eleven superbarges ranging in capacity from 175,000 to 380,000 barrels. The oldest vessel in that class is the OCEAN 250, which was constructed in 1970. The largest vessel is the OCEAN 400 for which modifications were completed as recently as 1990. The bulk of the superbarge fleet was

constructed during the 1970's and early 1980's. Three of the superbarges that were single hulled vessels, the MARITRANS 192, the MARITRANS 244 and the MARITRANS 252, have been rebuilt to a double hull configuration. The OCEAN 250 is scheduled to enter the shipyard in the spring of 2002 for her double hull rebuild.

The tugboat fleet consists of one 11,000 horsepower class vessel, one 7,000 horsepower class vessel, nine 6,000 horsepower class vessels and one 15,000 horsepower class vessel, which is not currently operating. The year of construction or substantial renovation of these vessels ranges from 1962 to 1990. The majority of the tugboats were constructed between 1970 and 1981.

Other Real Property. Maritrans' operations are headquartered in Tampa, Florida. In Tampa, the Company leases office space and also four acres of Port Authority land. The southern clean oil fleet operations are run out of this office. The Company also leases office space near Philadelphia, Pennsylvania. The crude oil lightering operations are run out of this office. In addition, the Company owns property in Philadelphia not currently used in its operations.

### Item 3. LEGAL PROCEEDINGS

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 Maritrans' marine operations are covered by marine 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 Company's financial condition.

The Company has been sued by approximately 90 individuals alleging 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.

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. Maritrans asserts 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. The Company is currently appealing the decision.

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 is seeking damages of \$3 million and an injunction restraining Maritrans from enforcing its patent, which if awarded, would have

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

a material adverse effect on the Company. However, management believes the suit to be without merit. Maritrans is challenging the jurisdiction of the Court to hear the matter in New York and upon resolution of the jurisdictional issue, intends to seek affirmative damages from Penn Maritime, Inc. for infringement of its patent as well as other claims arising from the conduct of Penn Maritime, Inc.'s double hull program.

### 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, 2001.

8

## PART II

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

#### Market Information and Holders

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 2001:	HIGH	LOW
-----	----	---
March 31, 2001	\$ 9.100	\$ 8.250
June 30, 2001	10.050	8.300
September 30, 2001	9.700	8.700
December 31, 2001	12.000	8.510

  

QUARTERS ENDED IN 2000:	HIGH	LOW
-----	----	---
March 31, 2000	\$ 6.938	\$ 5.063
June 30, 2000	6.250	5.250
September 30, 2000	6.500	5.000
December 31, 2000	8.375	5.500

As of March 8, 2002, the Registrant had 8,223,933 Common Shares outstanding and approximately 718 stockholders of record.

#### Dividends

For the years ended December 31, 2001 and 2000, Maritrans Inc. paid the following cash dividends to stockholders:

PAYMENTS IN 2001:

PER SHARE

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

-----	-----
March 7, 2001	\$ .10
June 6, 2001	\$ .10
September 5, 2001	\$ .10
December 5, 2001	\$ .10
	----
Total	\$ .40
	=====

PAYMENTS IN 2000:	PER SHARE
-----	-----
March 8, 2000	\$ .10
June 7, 2000	\$ .10
September 6, 2000	\$ .10
December 6, 2000	\$ .10
	----
Total	\$ .40
	=====

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

9

Item 6. SELECTED FINANCIAL DATA

	-----	MA
	2001	January 2000
	----	----
		(\$000, exce
CONSOLIDATED INCOME STATEMENT DATA:		
Revenues (a).....	\$ 123,410	\$ 123,715
Operating income before depreciation and amortization.....	35,770	28,288
Depreciation and amortization.....	17,958	17,254
Operating income.....	17,812	11,034
Interest expense, net.....	4,437	6,401
Income before income taxes and extraordinary item.....	16,308	8,113
Income tax provision.....	6,115	3,101
Extraordinary item, net of taxes (b).....	2,501	-
Net income.....	\$ 7,692	\$ 5,012
Basic earnings per share.....	\$ 0.77	\$ 0.46
Diluted earnings per share.....	\$ 0.72	\$ 0.45
Cash dividends per share.....	\$ 0.40	\$ 0.40
CONSOLIDATED BALANCE SHEET DATA (at period end):		
Total assets.....	\$ 200,427	\$ 247,579
Long-term debt.....	32,250	67,988
Stockholders' equity.....	88,064	90,446

- 
- (a) The decrease in revenue in 2000 resulted from the sale of vessels and petroleum storage terminals, which occurred in 1999 and is discussed in Note 2 of the consolidated financial statements.
  - (b) The extraordinary item resulted from the early extinguishment of debt and is discussed in Note 10 of the consolidated financial statements.

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

The following is a discussion of the consolidated financial condition and results of operations of the Company.

Some of the statements under this section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" constitute forward-looking statements under Section 27A of the Securities Act of 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, you 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,"

10

"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' operating and sourcing decisions, competition for marine transportation, domestic 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, the impact of the early pay-down of long-term debt on operating results, changes in interest rates, the effect of 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



## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

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.

### Overview

Maritrans serves the petroleum and petroleum product distribution industry by using oil tankers, tank barges and tugboats to provide marine transportation services primarily along the Gulf and Atlantic coasts of the United States. Between 1997 and 2001, the Company has transported at least 183 million barrels annually, with a high of 262 million barrels in 1998, and a low of 183 million barrels in 2001. Maritrans sold vessels in 1999 resulting in a reduction in capacity. In 2001 and 2000, the Company has transported 183 million and 189 million barrels, respectively. Many factors affect the number of barrels transported and may affect future results for Maritrans. 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' operating and sourcing decisions, competition, labor and training costs and liability insurance costs. Overall U.S. oil consumption during 1997-2001 fluctuated between 18.7 million and 19.7 million barrels a day.

In 1999, the Company made several strategic moves in order to focus on those markets where it believes it possesses a long-term competitive advantage and that should provide additional opportunities. As a result, the Company sold two small tug and barge units, which were working in Puerto Rico, two petroleum storage terminals in Philadelphia, Pennsylvania and Salisbury, Maryland, and twenty-seven vessels working primarily in the Northeastern United States. Before their sales, the sold vessels had transported approximately 69 million barrels in 1999 and had represented approximately 23 percent of 1999 revenues.

Maritrans has successfully rebuilt three of its existing, single-hulled, barges to a double-hull design configuration, which complies with the provisions of the OPA. The MARITRANS 192, a 175,000-barrel barge was completed in 1998, the MARITRANS 244, a 245,000-barrel barge was completed in 2000 and the MARITRANS 252 (formerly the OCEAN CITIES), a 250,000-barrel barge was completed in 2002. Prefabrication has already commenced on a fourth single-hull barge, the OCEAN 250 that is scheduled to enter the shipyard in the spring of 2002. The Company intends to apply the same methodology to up to five more of its existing large, oceangoing, 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 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.

### Legislation

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 includes most of Maritrans' existing

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

barges. Three of the Company's large oceangoing, single-hulled barges will be affected on January 1, 2005. Currently five of the Company's barges and two tankers are equipped with double-hulls meeting OPA's requirements. Maritrans 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 first rebuilt barge, the MARITRANS 192, was completed and entered service in November 1998. The second rebuilt barge, the MARITRANS 244, was completed and entered service in December 2000. The third rebuilt barge, the MARITRANS 252 (formerly the OCEAN CITIES), was completed and entered service in February 2002. Work has already commenced on a fourth single-hull barge, the OCEAN 250, which is scheduled to enter the shipyard in the spring of 2002. 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 \$55-75 per barrel compared to estimated costs of approximately \$125-175 per barrel for construction of a completely new double-hull barge. The total cost of the barge rebuild program is expected to exceed \$150 million of which approximately \$45 million has already been incurred. In 2001, the Company extensively refurbished the tugboat that works with the MARITRANS 252 at a cost of approximately \$5 million. The Company also plans to refurbish the tugboat that works with the OCEAN 250 during the time that the OCEAN 250 is undergoing her double-hull rebuilding and plans to continue this tug refurbishment process during future barge rebuilds.

The enactment of OPA significantly increased the liability exposure of marine transporters of petroleum in the event of an oil spill. In addition, several states in which Maritrans operates have enacted legislation increasing the liability for oil spills in their waters. The Company currently maintains oil pollution liability insurance of up to one billion dollars per occurrence on each of its vessels. 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 its operations.

### Results of Operations

Year Ended December 31, 2001 Compared With Year Ended December 31, 2000

Revenues for 2001 of \$123.4 million were consistent with revenues for 2000 of \$123.7 million. Vessel utilization, as measured by revenue days divided by calendar days available, decreased from 85.7 percent in 2000 to 83.4 percent in 2001. Utilization decreased due to more vessel out of service time for maintenance in 2001 compared to 2000. In 2000, the MARITRANS 244 was out of service for nine months for her double hull rebuild. The MARITRANS 252 went out of service for her double hull rebuild late in the second quarter of 2001 and re-entered service early in February 2002. As a result, the fleet lost less days to double hull rebuilding in 2001 than in 2000, offsetting the maintenance out of service time.

Term contract rates renewed with customers in 2001 were renewed at higher levels than those experienced in 2000. The increase in these rates resulted from a more stable supply/demand relationship in the Jones Act trade. These rate increases will have a positive effect on 2002 revenue. Spot market rates fluctuated greatly in 2001, and overall were slightly higher than in 2000. In the first half of the year, spot rates were significantly higher than the same period in 2000 due to increased distillate demand and the restocking of inventory balances. In the third quarter, spot rates dropped as a result of refinery maintenance projects and less demand for refined products. In addition, there was a general downturn in the economy, which continued through the end of the year. In the fourth quarter, spot rates declined to below 2000 levels for the comparable period. The terrorists attacks on September 11th

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

worsened the downturn in the economy. As a result, gasoline inventories grew and the demand for jet fuel decreased. In addition, warm weather in the Northeast reduced the demand for heating oil. The Company expects spot rates in the first and second quarters of 2002 will be below the fourth quarter 2001 rates due to continuing weak demand for products. Barrels of cargo transported decreased from 189.3 million in 2000 to 183.5 million in 2001, due to decreases in demand during the year.

12

Total costs and operating expenses for 2001 were \$105.6 million compared to \$112.7 million in 2000, a decrease of \$7.1 million or 6.3 percent. The primary decreases in operating expenses were in voyage costs, which are primarily fuel consumed and port charges incurred. In 2001 more of the Company's tankers were under contracts that pass all fuel and other voyage costs directly to the customer than in 2000, resulting in a decrease in expenses. The downturn in the economy in 2001, discussed above, also reduced fuel prices. The average price per gallon of fuel decreased 8 percent compared to 2000. The decrease in utilization, discussed above, also caused port charges and fuel costs to decrease compared to the same period in 2000. Offsetting these decreases was an increase in crew costs. In 2001, a higher volume of seminars and training took place than in 2000. Routine maintenance increased during 2001 as a result of a higher number of vessel repairs. Other maintenance expenses decreased due to the extensive renewals and refurbishments that occur during the rebuilding of the single-hulled barges to double-hulled barges. In 2000, the Company had incurred \$1.4 million in relocation costs as a result of moving the corporate headquarters from Philadelphia, Pennsylvania to Tampa, Florida, which were not incurred in 2001.

Operating income increased from \$11.0 million in 2000 to \$17.8 million in 2001, as a result of the aforementioned changes in revenue and expenses.

Other income in 2001 included interest income of \$2.4 million and a gain of \$0.5 million on the sale of a barge. Other income in 2000 included interest income of \$4.0 million offset by a loss of \$0.7 million on the sale of Philadelphia real estate and equipment. Interest income decreased due to a lower amount of cash invested in 2001 compared to 2000.

The extraordinary loss of \$2.5 million, net of taxes, resulted from prepayment penalties and the write-off of unamortized financing costs on the prepayment of the Company's fleet mortgage.

Net income increased from \$5.0 million for the twelve months ended December 31, 2000 to \$7.7 million for the twelve months ended December 31, 2001. This increase was due to the aforementioned changes in revenue and expenses.

Year Ended December 31, 2000 Compared With Year Ended December 31, 1999

Revenues for 2000 were \$123.7 million compared to \$151.7 million in 1999, a decrease of \$28.0 million or 18.5 percent. Although revenue in 2000 decreased \$38.3 million as a result of the sale of thirty-one vessels and the petroleum storage terminals in 1999, revenue for the remaining fleet for the comparable periods increased \$10.3 million. This revenue increase resulted primarily from increases in the average daily rates charged to customers, which occurred later in 2000 and to increased fuel costs, discussed in operating expenses below, much of which the Company was able to pass through to customers under its contractual agreements. The increase in average daily rates over the comparable period in 1999 was due primarily to the amount of capacity already under contract to major oil companies and to low distillate inventories in the United States, particularly heating oil in the Northeast. Both factors have

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

raised rates for available Jones Act capacity. The Company expects the strong market rates to continue for several quarters and to have a positive impact on revenue. Vessel utilization, as measured by revenue days divided by calendar days available, decreased from 87.8 percent in 1999 to 85.7 percent in 2000 for the comparable fleet. The overall decrease was the result of the MARITRANS 244 being out of service for nine months in 2000, for its double hull rebuild. Excluding the MARITRANS 244, utilization for the operating vessels was 88.5 percent, which was moderately higher than 1999's utilization of 87.8 percent for the comparable fleet. Barrels of cargo transported decreased from 249.1 million in 1999 to 189.3 million in 2000, due to the smaller fleet.

Total costs and operating expenses for 2000 were \$112.7 million compared to \$143.9 million in 1999, a decrease of \$31.2 million or 21.7 percent. This decrease was due primarily to the sale of assets discussed above. In addition, shoreside related expenses decreased as a result of the reduction in shoreside staff in 1999. In September 1999, the Company recorded a severance charge of \$0.9 million for these employees, which was paid in 2000. Maintenance expense decreased due to the reduction in fleet size and the impact of the rebuilding of the single-hulled barges to double-hulled barges, which allows certain maintenance procedures to be performed while the vessel is in the shipyard for its double-hulling. Offsetting these decreases in operating expenses was an increase in fuel expense for fuel used on the vessels. In 2000, the average fuel rate increased 75% compared to 1999. Based on market expectations of oil prices continuing at or above \$30 per barrel, the Company believes

13

that its fuel costs will continue at rates higher than those in 1999 for the next several quarters. Some of this increase in fuel costs was passed through to customers under contractual agreements and will continue to be passed on in 2001. In 2000, the Company incurred \$1.4 million in relocation costs for the move of the corporate headquarters from Philadelphia, PA to Tampa, FL in the spring of 2000.

Operating income increased from \$7.8 million in 1999 to \$11.0 million in 2000, as a result of the aforementioned changes in revenue and expenses.

Interest income increased from \$0.6 million in 1999 to \$4.0 million in 2000, an increase of \$3.4 million. Interest income consisted of interest earned on investments, which increased primarily due to the proceeds generated on the sales of assets in 1999.

Other income included a loss on the sale of Philadelphia real estate and equipment of \$0.7 million. Other income for the year ended December 31, 1999 included a gain of \$18.5 million on the disposition of vessels and petroleum storage terminals.

The Company's effective income tax rate decreased from 43% in 1999 to 38% in 2000. The decrease in the effective tax rate is due primarily to the impact of state taxes on certain asset sales in 1999.

Net income for the twelve months ended December 31, 2000, decreased to \$5.0 million from \$12.1 million for the twelve months ended December 31, 1999. This decrease was due to the aforementioned changes in revenue and expenses. Net income for 1999 included \$10.5 million, net of tax, from the gain on the sale of assets.

### Liquidity and Capital Resources

In 2001, funds provided by operating activities were sufficient to meet debt service obligations and loan agreement restrictions, to make capital

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

acquisitions and improvements and to allow Maritrans Inc. to pay a dividend in each quarter of the year. While dividends have been made quarterly in each of the last three years, there can be no assurances that the dividend will continue. The ratio of total debt to capitalization is .33:1 at December 31, 2001, compared to .46:1 at December 31, 2000.

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.

In November 2001, the Company entered into a credit facility, discussed in "Debt Obligations and Borrowing Facility" below. The amortization of the term portion of the facility calls for escalating payments over the life of the debt. The Credit Facility requires the Company to maintain their properties in a specific manner, maintain specified insurance on their 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, 2001 and currently expects to remain in compliance going forward.

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, 2001, 2,398,700 shares had been purchased under the plan and 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. Subsequent to December 31, 2001 and through March 8, 2002, the Company did not purchase any additional shares of its common stock.

In December 1999, the Company sold twenty-six vessels that worked in the Northeastern U.S. coastal waters, in separate transactions to Vane Line Bunkering Inc. and K-Sea Transportation LLC. The transactions, which included fifteen barges and eleven tugboats, represented a divestiture of approximately twenty-five percent of the Company's cargo-carrying capacity. The combined sale price of the two transactions was \$48 million. The

Company received proceeds of \$39 million in cash and \$8.5 million in notes. Due to uncertainties regarding collectibility of the notes received, the Company recorded a reserve of \$4.5 million. The remaining \$0.5 million of the sales price was to be received by the Company upon certain conditions being met as defined in one of the sales agreements and would have been recorded in income in the period in which the conditions were met. In 2001, it was determined that these conditions would not be met. In 1999, the Company negotiated a waiver and amendment to the indenture and mortgage securing substantially all of the vessels sold. The proceeds from the sale were required to be deposited with the trustee, Wilmington Trust Company, and were withdrawn to fund repairs and improvements on mortgaged vessels, including double-hull rebuilding, to make debt repayments and to pay income taxes resulting from the vessel transactions. In 2001, the Company withdrew the remaining funds. In November 2001, the Company paid off the indenture and does

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

not have any cash deposited with the trustee.

In August 2000, the Company awarded a contract to rebuild a third large single hull barge, the OCEAN CITIES, to a double hull configuration. In February 2002, this vessel was completed and put back into service as the MARITRANS 252. The total cost of the rebuild was \$14.4 million. The Company financed this project from internally generated funds.

In September 2001, the Company awarded a contract to rebuild a fourth large single hull barge, the OCEAN 250, to a double hull configuration, which is expected to have a total cost of approximately \$16.0 million. As of December 31, 2001, \$5.8 million has been paid to the shipyard contractor for prefabrication and other advance design work. The Company has financed, and expects to continue the financing of, this project from internally generated funds.

In October 2001, the Company repaid \$33.0 million of its long-term debt in advance of its due date. The Company recorded an extraordinary charge of approximately \$2.5 million, net of taxes, or approximately \$0.24 per share, in prepayment penalties and the write-off of unamortized financing costs in the fourth quarter as a result of the repayment.

In December 2001, the Company announced a self-tender offer (the "Offer") to purchase up to 2,000,000 shares of its common stock at a price between \$11.00 and \$12.50. On January 18, 2002, the Offer closed, and the Company subsequently purchased 2,176,296 shares of common stock for a purchase price of \$11.50 per share, or approximately \$25.0 million. The purchase price was funded through borrowings under the Company's Credit Facility with Citizens Bank.

### Debt Obligations and Borrowing Facility

At December 31, 2001, the Company had \$43.0 million in total outstanding debt, secured by mortgages on most of the fixed assets of the Company. The current portion of this debt at December 31, 2001, is \$10.7 million.

In 1997, Maritrans entered into a multi-year revolving credit facility for amounts up to \$33 million with Citizens Bank (formerly Mellon Bank, N.A.). This facility was repaid in November 2001.

In August 1999, the Company entered into an agreement with Coastal Tug and Barge Inc. to purchase the MV PORT EVERGLADES. The outstanding debt on this transaction at December 31, 2001, is \$2.5 million payable to Coastal Tug and Barge Inc. and is secured by a Citizens Bank (formerly Mellon Bank, N.A.) Letter of Credit. Subsequent to year-end, the Company paid off this debt.

In December 1999, the Company entered into an agreement with General Electric Capital Corporation to purchase two tugboats, the Enterprise and the Intrepid. The vessels had previously been operated by the Company under operating leases. The outstanding debt on this purchase at December 31, 2001, is \$4.4 million payable to General Electric Capital Corporation. Subsequent to year-end, the Company paid off this debt.

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 an extraordinary charge of \$2.5 million, net of taxes, or approximately \$0.24 per share, in prepayment penalties and the write-off of unamortized financing costs 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

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

Bank, N.A.) and a syndicate of other financial institutions ("Lenders"). Pursuant to the terms of the Credit Facility, the Company can borrow up to \$45 million of term

15

loans and up to \$40 million under a revolving credit facility. Interest is variable based on either the LIBOR rate or prime rate plus an applicable margin (as defined). Principal payments on the term loans are required on a quarterly basis beginning in April 2002. The Credit Facility expires in January 2007. The Company has granted first preferred ship mortgages and a first security interest in the vessels and other collateral to the Lenders as a guarantee of the debt. At December 31, 2001, there was \$36 million of term loans outstanding under the Credit Facility. No amounts were outstanding under the revolving line of credit.

### 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. The current portion of this estimated cost is included in accrued shipyard costs while the portion of this estimated cost not expected to be incurred within one year is classified as long-term. Although the shipyard costs have fluctuated, particularly as a result of changes in the size of the fleet, the provision has been in line with the actual disbursements over time. The Company believes that providing for such overhauls in advance of performing the related maintenance and repairs provides a more appropriate view of the financial position of the Company at any point in time.

In June 2001, the AICPA issued an Exposure Draft on a Proposed Statement of Position regarding Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment. The Proposed Statement, if issued, 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 Proposed Statement would require these costs to be capitalized and amortized over their estimated useful life. The Company has not yet quantified the impact of adopting this new pronouncement on its financial statements; however, the Company's preliminary assessment is that the adoption of this pronouncement would increase the value of vessels and equipment and stockholders' equity of the Company.

### 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 information below summarizes the Company's market risks associated with its debt obligations and should be read in conjunction with Note 10 of the Consolidated Financial Statements.

The table below presents principal cash flows and the related interest rates by year of maturity. Fixed interest rates disclosed represent the actual rate as of the period end. Variable interest rates disclosed fluctuate with the LIBOR and federal fund rates and represent the weighted average rate at December 31, 2001.

### EXPECTED YEARS OF MATURITY

(Dollars in \$000's)

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

	2002	2003	2004	2005	2005	Ther
	-----	-----	-----	-----	-----	-----
Long-term debt, including current portion:						
Fixed rate.....	2,545	-	-	-	-	-
Average interest rate (%).....	6.50	-	-	-	-	-
Variable rate.....	8,193	5,750	7,500	11,000	8,000	
Average interest rate (%).....	4.48	4.48	4.48	4.48	4.48	

Impact of Recent Accounting Pronouncements

In September 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("Statement 133"). Statement 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Company adopted Statement 133 on January 1, 2001, and the effect of adoption was not material to the Company.

16

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill will no longer be amortized but will be subject to the annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the non-amortization provisions of the Statement is expected to result in an increase in net income of approximately \$279,000 (\$.03 per share) per year. The Company is in the process of performing the first of the annual required impairment tests of goodwill and the Company does not presently believe there will be an impairment of goodwill.

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.

17

Item 8. FINANCIAL STATEMENTS & SUPPLEMENTAL DATA

Report of Independent Auditors

Stockholders and Board of Directors  
Maritrans Inc.

We have audited the accompanying consolidated balance sheets of Maritrans Inc. as of December 31, 2001 and 2000, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the



## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

period ended December 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14(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, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, 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

Tampa, Florida  
January 18, 2002, except for  
Note 12 as to which the date  
is January 29, 2002

18

### MARITRANS INC. CONSOLIDATED BALANCE SHEETS

(\$000)

	December 31,	
	2001	2000
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 3,558	\$ 36,598
Cash and cash equivalents - restricted.....	--	11,400
Trade accounts receivable (net of allowance for doubtful accounts of \$690 and \$1,216, respectively) ..	8,703	9,505
Other accounts receivable.....	3,620	4,279
Inventories.....	2,453	3,182
Deferred income tax benefit.....	7,258	9,176
Prepaid expenses.....	2,659	2,067

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

Total current assets .....	28,251	76,207
Vessels and equipment .....	307,540	294,666
Less accumulated depreciation.....	144,223	133,838
Net vessels and equipment .....	163,317	160,828
Notes receivable (net of allowance of \$4,500) .....	4,271	4,724
Other (including \$0 and \$2,100 of cash and cash equivalents - restricted in 2001 and 2000, respectively).....	4,588	5,820
Total assets .....	\$200,427	\$247,579
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Debt due within one year.....	\$ 10,738	\$ 7,872
Trade accounts payable.....	681	1,242
Accrued shipyard costs.....	6,370	7,971
Accrued wages and benefits.....	2,098	2,527
Other accrued liabilities.....	2,353	8,549
Total current liabilities .....	22,240	28,161
Long-term debt .....	32,250	67,988
Accrued shipyard costs .....	9,555	11,956
Other liabilities .....	3,527	3,757
Deferred income taxes .....	44,791	45,271
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:		
2001 - 13,342,018 shares; 2000 - 13,287,887 shares..	133	133
Capital in excess of par value.....	79,781	78,959
Retained earnings.....	29,983	26,444
Unearned compensation.....	(855)	(1,012)
Less: Cost of shares held in treasury:		
2001 - 3,181,792 shares; 2000 - 2,421,212 shares.....	(20,978)	(14,078)
Total stockholders' equity.....	88,064	90,446
Total liabilities and stockholders' equity.....	\$200,427	\$247,579
	=====	=====

See accompanying notes.

MARITRANS INC.  
CONSOLIDATED STATEMENTS OF INCOME

(\$000, except per share amounts)

For the year ended Dec

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

	2001	2000
Revenues.....	\$123,410	\$123,715
Costs and expenses:		
Operation expense.....	64,665	69,407
Maintenance expense.....	15,652	17,234
General and administrative.....	7,323	8,786
Depreciation and amortization.....	17,958	17,254
	-----	-----
	105,598	112,681
	-----	-----
Operating income.....	17,812	11,034
Interest expense (net of capitalized interest of \$472, \$662 and \$73, respectively).....	(4,437)	(6,401)
Interest income.....	2,405	3,973
Other income (loss), net.....	528	(493)
	-----	-----
Income before income taxes and extraordinary item.....	16,308	8,113
Income tax provision.....	6,115	3,101
	-----	-----
Income before extraordinary item.....	10,193	5,012
Extraordinary charge on early extinguishment of debt, net of taxes of \$1,500.....	2,501	--
	-----	-----
Net income.....	\$ 7,692	\$ 5,012
	=====	=====
Basic earnings per share		
Income before extraordinary item.....	\$ 1.02	\$ 0.46
Extraordinary item.....	(0.25)	--
	-----	-----
Net income.....	\$ 0.77	\$ 0.46
	=====	=====
Diluted earnings per share		
Income before extraordinary item.....	\$ 0.96	\$ 0.45
Extraordinary item.....	(0.24)	--
	-----	-----
Net income.....	\$ 0.72	\$ 0.45
	=====	=====

See accompanying notes.

20

MARITRANS INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Increase (Decrease) in Cash and Cash Equivalents

(\$000)

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

Cash flows from operating activities:

Net income.....  
Adjustments to reconcile net income to net cash provided by (used in)  
operating activities:  
Depreciation and amortization.....  
Deferred income taxes.....  
Stock compensation.....  
Extraordinary loss.....  
Changes in receivables, inventories and prepaid expenses.....  
Changes in current liabilities, other than debt.....  
Non-current changes, net.....  
(Gain) loss on sale of assets.....  
  
Total adjustments to net income.....  
  
Net cash provided by operating activities.....

Cash flows from investing activities:

Proceeds from sale of marine vessels and equipment.....  
Purchase of cash and cash equivalents - restricted, resulting from the  
sale of vessels and equipment.....  
Release of cash and cash equivalents - restricted.....  
Collections on notes receivable.....  
Purchase of marine vessels and equipment.....  
  
Net cash provided by (used in) investing activities.....

Cash flows from financing activities:

Borrowings under long-term debt.....  
Prepayment of Fleet Mortgage, including prepayment penalty of \$3,640.....  
Payment of long-term debt.....  
Net repayments of borrowings under credit facilities.....  
Proceeds from stock option exercises.....  
Purchase of treasury stock.....  
Dividends declared and paid.....  
  
Net cash used in financing activities.....

Net increase (decrease) in cash and cash equivalents.....  
Cash and cash equivalents at beginning of year.....  
  
Cash and cash equivalents at end of year.....

Supplemental Disclosure of Cash Flow Information:

Interest paid.....  
Income taxes paid.....

Non-cash activities:

Note receivable from sale of property.....  
Purchase of vessels financed with issuance of long-term debt.....  
Note receivable from sale of vessels, net of \$4,500 reserve in 1999.....

See accompanying notes.

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

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 December 31, 1998.....	12,144,606	\$131	\$77,858	\$18,691
Net income.....				12,056
Cash dividends (\$0.40 per share of Common Stock).....				(4,802)
Purchase of treasury shares.....	(614,400)			
Stock incentives.....	172,684	1	421	--
	-----	----	-----	-----
Balance at December 31, 1999.....	11,702,890	132	78,279	25,945
	-----	----	-----	-----
Net income.....				5,012
Cash dividends (\$0.40 per share of Common Stock).....				(4,513)
Purchase of treasury shares.....	(982,300)			
Stock option exercises.....	30,768		143	
Stock incentives.....	115,317	1	537	--
	-----	----	-----	-----
Balance at December 31, 2000.....	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
	=====	=====	=====	=====

See accompanying notes.

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,

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

the "Company"). These subsidiaries, directly and indirectly, own and operate oil tankers, tugboats, and oceangoing petroleum tank barges 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 in the prior year financial statements and footnotes 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.

### 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 fixed assets are included in other 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, four 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.

### Intangible Assets

Other assets include \$2,863,000 and \$3,142,000 at December 31, 2001 and 2000, respectively, of goodwill. Goodwill represents the excess cost over the fair market value of the net assets acquired at the date of acquisition. Goodwill is being amortized using the straight-line method over twenty-five years.

### 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

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

repairs. The current portion of this estimated cost is included in accrued shipyard costs while the portion of this estimated cost not expected to be incurred within one year is classified as long-term. The Company believes that providing for such overhauls in advance of performing the related

23

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

#### 1. Organization and Significant Accounting Policies -- (Continued)

maintenance and repairs provides a more appropriate view of the financial position of the Company at any point in time. Non-overhaul maintenance and repairs are expensed as incurred.

In June 2001, the AICPA issued an Exposure Draft on a Proposed Statement of Position regarding Accounting for Certain Costs and Activities Related to Property, Plant, and Equipment. The Proposed Statement, if issued, 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 Proposed Statement would require these costs to be capitalized and amortized over their estimated useful life. The Company has not yet quantified the impact of adopting this new pronouncement on its financial statements; however, the Company's preliminary assessment is that the adoption of this pronouncement would increase the value of vessels and equipment and stockholders' equity of the Company.

#### Inventories

Inventories, consisting of materials, supplies and fuel are carried at cost, which does not exceed net realizable value.

#### 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

Revenue is recognized when services are performed.

#### Significant Customers

During 2001, the Company derived revenues aggregating 61 percent of total revenues from three customers, each one representing more than 10 percent of revenues. In 2000, revenues from three customers aggregated 54 percent of total revenues and in 1999, revenues from three customers aggregated 52 percent of total revenues. The Company does not necessarily derive 10 percent or more of its total revenues from the same group of customers each year. In 2001, approximately 92 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

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

mutual insurance association, whose chairman is also the chairman of Maritrans Inc. The related insurance expense was \$1,926,000, \$1,854,000 and \$2,680,000 for the years ended December 31, 2001, 2000 and 1999, 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 \$381,000, \$220,000 and \$207,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

### Impact of Recent Accounting Pronouncements

In September 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("Statement 133"). Statement 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. The Company adopted Statement 133 on January 1, 2001 and the effect of adoption was not material to the Company.

24

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

#### 1. Organization and Significant Accounting Policies -- (Continued)

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill will no longer be amortized but will be subject to the annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives. The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the non-amortization provisions of the Statement is expected to result in an increase in net income of approximately \$279,000 (\$.03 per share) per year. The Company is in the process of performing the first of the annual required impairment tests of goodwill and the Company does not presently believe that there will be an impairment of goodwill.

#### 2. Sale of Assets

In June 2000, the Company sold real estate and equipment located in Philadelphia, PA. The sales price totaled \$1.75 million of which \$1.58 million was received in the form of a note. The pre-tax loss on the sale was \$0.7 million and is included in other income in the consolidated statements of income.

In December 1999, the Company sold twenty-six vessels, which worked in the Northeastern U.S. coastal waters, in separate transactions to Vane Line Bunkering Inc. and K-Sea Transportation LLC ("Vessel Sale"). The transactions, which included fifteen barges and eleven tugboats, represented a divestiture of approximately twenty-five percent of the Company's cargo-carrying capacity. The combined sale price of the two transactions was \$48 million. The Company received proceeds of \$39 million in cash and \$8.5 million in notes. Due to uncertainties regarding collectibility of the notes received, the Company recorded a reserve of \$4.5 million. The remaining \$0.5 million of the sales price was to be received by the Company only if certain conditions as defined in one of the sales agreements were met. In 2001, it was determined that these conditions would not be met. The total gain on the Vessel Sale of the assets



## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

was \$20.0 million, which includes a write-off of goodwill of approximately \$1.4 million. The gain on the Vessel Sale is included in other income in the consolidated statements of income.

In September 1999, the Company sold its petroleum storage terminal operations, located in Philadelphia, PA and Salisbury, MD. The proceeds of the sale totaled \$10 million, of which \$3.6 million was used to pay off the outstanding debt on the Philadelphia terminal. The loss on the sale of these assets was \$5.9 million and is included in other income in the consolidated statements of income.

In March 1999, the Company sold five vessels. The vessels consisted of two tug and barge units that were working in Puerto Rico and a tugboat working on the Atlantic Coast. The gain on the sale of these assets was \$4.4 million and is included in other income in the consolidated statements of income.

The following unaudited pro forma results of operations for the year ended December 31, 1999 assumes that the sale of vessels and petroleum storage terminal operations were disposed as of the beginning of the period presented and excludes the net gain on the sale of these assets of \$10.5 million, net of taxes. No pro forma adjustment has been made for expenses not specifically allocated to the assets sold.

	1999
(\$000, except per share amounts)	
Revenue.....	\$115,053
Net income.....	\$ 924
Diluted earnings per share.....	\$ 0.08

25

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

#### 3. 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, 2001, 2,398,700 shares were purchased under the plan. The total cost of the shares repurchased during 2001 was \$7.1 million.

#### 4. Earnings per Common Share

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

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

Income available to common stockholders used in basic EPS .....	\$
Weighted average number of common shares used in basic EPS .....	==
Effect of dilutive securities:	1
Stock options and restricted shares.....	--
Weighted number of common shares and dilutive potential common stock used in diluted EPS.....	1
	==

### 5. Shareholder Rights Plan

In 1993, Maritrans Inc. adopted a Shareholder Rights Plan (the "Plan") in connection with the conversion from partnership to corporate form. 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 \$40, 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 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 to purchase \$40 worth of Common Stock for \$20. 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 \$40 worth of the acquirer's stock for \$20. 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, 2002.

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

### 6. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2001 and 2000 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.

### 7. 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 2001, 2000 and 1999 there were 4,064, 6,528 and 5,663 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 2001, 2000 and 1999, there were 31,858, 64,526 and 63,705 shares 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 2001, 2000 and 1999 was \$8.85, \$6.00 and \$6.00. 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, 2001 and 2000, 318,606 and 372,023 remaining shares and options within the Plan were reserved for grant, respectively.

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 Plan are exercisable at a price not less than market value of the shares on the date of grant. During 2001, 2000, and 1999, there were 35,147, 94,962 and 103,316 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 2001, 2000 and 1999 was \$8.82, \$5.99 and \$6.00. 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, 2001 and 2000, 207,298 and 299,232 remaining shares and options within the Plan were reserved for grant, respectively.

27

#### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS -- (Continued)

### 7. Stock Incentive Plans -- (Continued)

Compensation expense for all restricted stock was \$749,000, \$851,000 and

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

\$995,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Information on stock options follows:

	Number of Options	Exercise Price	Weighted Average Exercise Price
	-----	-----	-----
Outstanding at 12/31/98.....	479,636	4.000-9.188	5.64
Granted.....	598,169	6.000-6.000	6.00
Exercised.....	--	--	--
Cancelled or forfeited.....	31,492	6.000-9.188	6.41
Expired.....	--	--	--
	-----	-----	----
Outstanding at 12/31/99.....	1,046,313	4.000-9.188	5.82
	-----	-----	----
Granted.....	83,270	5.750-6.000	5.89
Exercised.....	30,768	4.000-6.250	4.64
Cancelled or forfeited.....	32,300	6.000-6.000	6.00
Expired.....	--	--	--
	-----	-----	----
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
	-----	-----	----
Exercisable			
December 31, 1999.....	352,474	4.000-9.125	4.78
December 31, 2000.....	380,712	4.000-9.125	5.21
December 31, 2001.....	544,905	4.000-9.125	5.51

Outstanding options have an original term of up to ten years, are exercisable in installments over two to four years, and expire beginning in 2002. The weighted average remaining contractual life of the options outstanding at December 31, 2001 is six years.

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and Related Interpretations in accounting for its employee stock options because the alternative fair value accounting provided for under FASB Statement No. 123, Accounting for Stock-Based Compensation, requires the use of option valuation models that were not developed for use in valuing employee stock options. Pro forma information regarding net income and earnings per share is required by Statement 123 and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. 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 2001, 2000 and 1999, respectively: risk free rates of 5%, 5% and 5%; dividend yields of 5%, 5% and 5%; average volatility factors of the expected market price of the Company's common stock of 0.26, 0.43 and 0.28; and a weighted average expected life of the option of seven years. The weighted average fair value of options granted in 2001, 2000 and 1999 was \$1.47, \$1.49 and \$1.04, respectively.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS -- (Continued)

7. Stock Incentive Plans -- (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:

	2001 ----- (\$000,	2000 ----- except per data)	
Pro forma net income .....	\$7,553	\$4,815	\$
Pro forma basic earnings per share .....	\$ 0.75	\$ 0.44	\$
Pro forma diluted earnings per share .....	\$ 0.71	\$ 0.43	\$

8. Income Taxes

The income tax provision consists of:

	2001 -----	2000 ----- (\$000)
Current:		
Federal.....	\$4,426	\$ 4,259
State.....	251	122
Deferred:		
Federal.....	1,380	(1,244)
State.....	58	(36)
	-----	-----
	\$6,115	\$ 3,101
	=====	=====

The differences between the federal statutory tax rate in 2001, 2000 and 1999 and the effective tax rates were as follows:

	2001 -----	2000 ----- (\$000)
Statutory federal tax provision .....	\$5,707	\$2,840
State income taxes, net of federal income tax benefit.....	235	88
Non-deductible items .....	249	249
Other .....	(76)	(76)
	-----	-----

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

\$6,115      \$3,101  
 =====      =====

Principal items comprising deferred income tax liabilities and assets as of December 31, 2001 and 2000 are:

	2001	2000
	-----	-----
	(\$000)	
Deferred tax liabilities:		
Depreciation.....	\$44,791	\$45,271
Prepaid expenses.....	1,562	1,258
	-----	-----
	46,353	46,529
	-----	-----
Deferred tax assets:		
Reserves and accruals.....	8,820	10,434
Net operating loss and credit carryforwards.....	--	--
	-----	-----
	8,820	10,434
	-----	-----
Net deferred tax liabilities .....	\$37,533	\$36,095
	=====	=====

9. 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

29

NOTES TO THE CONSOLIDATED  
 FINANCIAL STATEMENTS -- (Continued)

9. Retirement Plans -- (Continued)

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. As a result of the implementation of changes in the retirement plan provider, the Company recognized a curtailment gain during 1999 in the amount of \$2.6 million, which is reflected in the 1999 net pension cost. Additionally, the Company modified its plan for those seagoing supervisors who had been originally covered by the District 2 Marine Engineers Beneficial Association and met certain service requirements. As a result of this modification, additional benefits of \$1.7 million have been recorded and reflected in net periodic benefit cost for the year ended December 31, 1999.

Net periodic pension cost was determined under the projected unit credit

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

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, 2001 and 2000:

	2001	2000
	-----	-----
	(\$000)	
Change in benefit obligation		
Benefit obligation at beginning of year .....	\$ 25,282	\$ 25,945
Service cost .....	513	489
Interest cost .....	1,665	1,606
Actuarial (gain) loss .....	--	(1,549)
Benefits paid .....	(1,304)	(1,209)
	-----	-----
Benefit obligation at end of year .....	\$ 26,156	\$ 25,282
	-----	-----
Change in plan assets		
Fair value of plan assets at beginning of year .....	\$ 31,168	\$ 30,599
Actual return on plan assets .....	(750)	1,778
Benefits paid .....	(1,304)	(1,209)
	-----	-----
Fair value of plan assets at end of year .....	\$ 29,114	\$ 31,168
	-----	-----
Funded status .....	2,958	5,886
Unrecognized net actuarial (gain) loss .....	(7,070)	(10,479)
Unrecognized prior service cost .....	1,398	1,530
Unrecognized net (asset)/obligation .....	--	(204)
	-----	-----
Accrued benefit cost .....	(\$ 2,714)	(\$ 3,267)
	=====	=====
Weighted average assumptions as of December 31, 2001		
Discount rate .....	6.75%	6.75%
Expected rate of return .....	6.75%	6.75%
Rate of compensation increase .....	5.00%	5.00%

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

	2001	2000	1999
	-----	-----	-----
	(\$000)		
Components of net periodic benefit pension cost			
Service cost of current period.....	\$ 513	\$ 489	\$ 1,4
Interest cost on projected benefit obligation.....	1,665	1,606	1,6
Expected return on plan assets.....	(2,062)	(2,025)	(2,0
Amortization of net (asset)/obligation.....	(204)	(204)	(2

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

Amortization of prior service cost.....	132	132	1
Recognized net actuarial (gain)/loss.....	(597)	(540)	(5)
Benefit enhancement.....	--	--	1,6
Curtailement gain.....	--	--	(2,5
	-----	-----	-----
Net periodic pension cost.....	(\$ 553)	(\$ 542)	(\$ 5
	=====	=====	=====

30

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS -- (Continued)

9. Retirement Plans -- (Continued)

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 \$256,000, \$375,000 and \$59,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Approximately 52 percent of the Company's employees are covered under collective bargaining agreements, and approximately 20 percent of the employees are covered under collective bargaining agreements that expire within one year.

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 \$940,000, \$1,029,000 and \$1,527,000 for the years ended December 31, 2001, 2000 and 1999, 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.

10. Debt

Long term debt is as follows:

	December 31,	
	2001	2000
	-----	-----
	(\$000)	
Term loan, graduated quarterly payments, maturity date January 2007, variable interest rate (4.36% at December 31, 2001).....	\$36,000	\$ --
Fleet Mortgage, interest rate 9.25%, repaid in 2001 .....	--	45,500
Revolving credit facility with Citizens Bank (formerly Mellon Bank N.A.) variable		



Edgar Filing: MARITRANS INC /DE/ - Form 10-K

interest rate, repaid in 2001.....	--	22,000
Vessel notes payable, no stated interest rate (interest imputed at a rate of 6.5%), repaid subsequent to year-end	2,545	3,267
Vessel notes payable, variable interest rate (5.48% at December 31, 2001), repaid subsequent to year-end.....	4,443	5,093
	-----	-----
	42,988	75,860
Less current portion .....	10,738	7,872
	-----	-----
	\$32,250	\$67,988
	=====	=====

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 an extraordinary charge of \$2.5 million, net of taxes, or approximately \$0.24 per share diluted, 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 can 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 or prime rate plus an applicable margin (as defined). Principal payments on the term loans are required on a quarterly basis beginning in April 2002. The Credit Facility expires in November 2007. The Company has granted first preferred ship mortgages and a first security interest in the vessels and other collateral to the Lenders as a guarantee of the debt. At December 31, 2001, there was \$36 million of term loans outstanding under the Credit Facility. No amounts were outstanding under the revolving line of credit.

31

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS -- (Continued)

10. Debt -- (Continued)

The Credit Facility requires the Company to maintain their properties in a specific manner, maintain specified insurance on their 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, 2001.

Based on the borrowing rates currently available for loans with similar terms and maturities, the fair value of long-term debt was \$42.7 million and \$77.2 million at December 31, 2001 and 2000, respectively. The maturity schedule for outstanding indebtedness under existing debt agreements at December 31, 2001 is as follows:

(\$000)

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

2002 .....	\$10,738
2003 .....	5,750
2004 .....	7,500
2005 .....	11,000
2006 .....	8,000
Thereafter .....	--
	-----
	\$42,988
	=====

11. Commitments and Contingencies

Minimum future rental payments under noncancellable operating leases at December 31, 2001 are as follows:

	(\$000)
2002 .....	\$ 476
2003 .....	491
2004 .....	507
2005 .....	457
2006 .....	407
Thereafter .....	1,423
	-----
	\$3,761
	=====

Total rent expense for all operating leases was \$582,000, \$584,000, and \$1,897,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

At December 31, 2001, there were \$2,816,000 of outstanding letters of credit. Subsequent to year-end, this commitment expired.

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, 2001 will not have a material adverse effect on the consolidated financial statements.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS -- (Continued)

12. Subsequent Event

During December 2001, the Company announced a tender offer (the "Offer") to purchase up to 2,000,000 shares of its common stock. On January 18, 2002, the Offer closed, and the Company subsequently purchased 2,176,296 shares of common stock for a purchase price of \$11.50 per share, or approximately \$25.0 million, on January 29, 2002. The purchase price was funded through borrowings under the Company's Credit Facility. The following summarizes the unaudited condensed balance sheet of the Company assuming the tender had closed on December 31, 2001:

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

	(\$000)
Total assets.....	\$200,427
	=====
Current liabilities.....	22,240
Long-term debt.....	57,250
Other long-term liabilities	57,873
	-----
Total liabilities.....	137,363
Stockholders' equity	63,064
	-----
Total liabilities and stockholders' equity.....	\$200,427
	=====

13. Quarterly Financial Data (Unaudited)

	First Quarter	Second Quarter	Third Quarter	F Qu
	-----	-----	-----	---
	(\$000, except per share amount)			
2001				
----				
Revenues .....	\$31,567	\$31,834	\$28,284	\$3
Operating income .....	4,897	5,336	2,684	
Income before extraordinary item .....	2,660	2,954	1,422	
Net income .....	2,660	2,954	1,422	
Income before extraordinary item per share				
Basic earnings per share .....	\$ 0.26	\$ 0.29	\$ 0.14	\$
Diluted earnings per share .....	\$ 0.24	\$ 0.28	\$ 0.14	\$
2000				
----				
Revenues .....	\$30,671	\$28,053	\$32,744	\$3
Operating income .....	667	1,365	4,684	
Net income (loss) .....	(67)	76	2,708	
Basic earnings (loss) per share .....	\$ (0.01)	\$ 0.01	\$ 0.25	\$
Diluted earnings (loss) per share .....	\$ (0.01)	\$ 0.01	\$ 0.24	\$

In the fourth quarter of 2001, the Company repaid \$33.0 million of long-term debt in advance of its due date. The Company recorded an extraordinary charge of \$2.5 million, net of taxes, or approximately \$0.24 diluted earnings per share, in prepayment penalties and the write-off of unamortized financing costs related to the refinanced debt in the fourth quarter as a result of the repayment.

In the second quarter of 2000, the Company sold real estate and equipment located in Philadelphia, PA. The loss on the sale of these assets was \$0.7 million (\$0.4 million net of tax or \$ 0.04 diluted earnings per share) and is included in other income in the consolidated statements of income.

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

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

None.

### PART III

### Item 10. Directors and Executive Officers of the Registrant

Information 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, 2001, under the captions "Information Regarding Nominees For Election As Directors And Regarding Continuing Directors" and "Section 16(A) Beneficial Ownership Reporting Compliance."

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

Name ----	Age (1) -----	Position -----
Stephen A. Van Dyck (4) .....	58	Chairman of the Board of Directors and Chief Executive Officer
Dr. Robert E. Boni (2) (3) .....	74	Lead Director
Dr. Craig E. Dorman (2) (3) (4) ...	61	Director
Robert J. Lichtenstein (4) .....	54	Director
Brent A. Stienecker (2) (3) .....	63	Director
Walter T. Bromfield .....	46	Vice President and Chief Financial Officer
John J. Burns .....	49	President, Operations Division of Maritrans General Partner Inc.
Philip J. Doherty .....	42	President of Maritrans General Partner Inc.
Stephen M. Hackett .....	43	President, Chartering Division of Maritrans General Partner Inc.
Janice M. Van Dyck .....	42	Secretary

- 
- (1) As of March 1, 2002
  - (2) Member of the Compensation Committee
  - (3) Member of the Audit Committee
  - (4) Member of the Nominating Committee

Mr. Van Dyck has been Chairman of the Board and 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. He is a member of the Company's Nominating Committee of the Board of Directors. See "Certain Transactions" in the Proxy Statement.

Mr. Bromfield is Vice President and Chief Financial Officer of the Company. Previously, Mr. Bromfield served as Treasurer and Controller of the Company

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

and has been continuously employed in various capacities by Maritrans or its predecessors since 1981.

Mr. Burns is President, Operations Division of Maritrans General Partner Inc., a wholly owned subsidiary of the Company, and has been continuously employed by the Company or its predecessors in various capacities since 1975.

Mr. Doherty is President of Maritrans General Partner Inc., a wholly owned subsidiary of the Company, 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.

34

Mr. Hackett is President, Chartering Division of Maritrans General Partner Inc., a wholly owned subsidiary of the Company, and has been continuously employed in various capacities by Maritrans or its predecessors since 1980.

Ms. Van Dyck is 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\*

\*The information required by Item 11, Executive Compensation, by Item 12, Security Ownership of Certain Beneficial Owners and Management, and by Item 13, Certain Relationships and Related Transactions, 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" and "Certain Transactions".

35

### PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT  
SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

Report of Independent Auditors

Maritrans Inc. Consolidated Balance Sheets at December 31, 2001 and 2000

Maritrans Inc. Consolidated Statements of Income for the years ended  
December 31, 2001, 2000 and 1999

Maritrans Inc. Consolidated Statements of Cash Flows for the years ended

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

December 31, 2001, 2000 and 1999

Maritrans Inc. Consolidated Statements of Stockholders' Equity for the years ended December 31, 2001, 2000 and 1999

Notes to the Consolidated Financial Statements

(2) Financial Statement Schedules

Schedule II Maritrans Inc. Valuation Account for the years ended December 31, 2001,

All other schedules called for under Regulation S-X are not submitted because they are 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 28, 2001, Maritrans Inc. filed a report on Form 8-K. In that Form 8-K under Item 5 "Other Events", the Company reported on a new five-year financing agreement for a total of \$85 million.

On December 26, 2001, Maritrans Inc. filed a report on Form 8-K. In that Form 8-K under Item 5 "Other Events", the Company reported that the U.S. Court of Federal Claims ruling that the double hull requirement of the Oil Pollution Act of 1990 did not constitute a "taking" of petroleum barges.

36

### Exhibit Index

-----

3.1#	Certificate of Incorporation of the Registrant, as amended.
3.2#	By Laws of the Registrant, amended and restated February 9, 1999.
4.1	Certain instruments with respect to long-term debt of the Registrant or Maritrans Operating Partners Philadelphia Inc. or Maritrans Barge Company which relate to debt that does not exceed 10% of the total assets of the Registrant are omitted pursuant to Item 601(b) (4) (iii) of Regulation S-K. Maritrans hereby agrees to furnish supplementally to the Securities and Exchange Commission such instrument upon request.
4.2	Shareholder Rights Agreement amended and restated February, 1999.
10.1*	Amended and Restated Agreement of Limited Partnership of Maritrans Operating Partners L.P., dated as of April 14, 1987 (Exhibit 3.2).
10.2+	Certificate of Limited Partnership of Maritrans Operating Partners L.P., dated January 14, 1987 (Exhibit 3.4).
10.3*	Form of Maritrans Capital Corporation Note Purchase Agreement, dated as of March 15, 1987 (Exhibit 10.3).
10.3(a)*	Indenture of Trust and Security Agreement, dated as of March 15, 1987 from Maritrans Operating Partners L.P. and Maritrans Capital Corporation to The Wilmington Trust Company (Exhibit 10.6).
10.3(b)*	Form of First Preferred Ship Mortgage, dated April 14, 1987 from Maritrans Operating Partners L.P. to The Wilmington Trust Company (Exhibit 10.7).

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

mortgagor, to The Wilmington Trust Company, mortgagee (Exhibit 10.6(b)).

- 10.3(c) \* Guaranty Agreement by Maritrans Operating Partners L.P. regarding \$35,000,000 Series 1997 and \$80,000,000 Series B Notes Due April 1, 2007 of Maritrans Capital Corporation
- 10.3(d)= Second Supplemental Indenture of Trust and Security Agreement, dated as of April 1, 1997, by Maritrans Operating Partners L.P. and Maritrans Capital Corporation to Wilmington Trust Company, as Trustee.
- 10.3(e)= Supplement To First Preferred Ship Mortgages, dated May 8, 1996 from Maritrans Operating Partners L.P., Mortgagor, to Wilmington Trust Company, as Trustee, Mortgagee
- 10.3(f) Third Supplemental Indenture of Trust and Security Agreement, dated as of December 1, 1997, by Maritrans Operating Partners L.P. and Maritrans Capital Corporation to Wilmington Trust Company, as Trustee
- 10.4~ Credit Agreement of October 17, 1997, by and among Maritrans Tankers Inc., Maritrans Tankers Inc. N.A. for a revolving credit facility up to \$33,000,000 (Exhibit 10.2).
- 10.4(a)~ Guaranty (Suretyship) Agreement of October 17, 1997, by Maritrans Inc. regarding up to \$33,000,000 principal amount of credit accommodations to Maritrans Tankers Inc. by Mellon Bank, N.A.
- 10.4(b)~ Note of Maritrans Tankers Inc. to Mellon Bank, N.A., dated October 17, 1997 (Exhibit 10.2)

37

### Exhibit Index

-----

- 10.4(c)~ First Preferred Ship Mortgage, dated October 17, 1997, by Maritrans Tankers Inc., mortgagee, on the vessel ALLEGIANCE (Exhibit 10.4).
  - 10.4(d)~ First Preferred Ship Mortgage, dated October 17, 1997, by Maritrans Tankers Inc., mortgagee, on the vessel PERSEVERANCE (Exhibit 10.5).
  - 10.4(e)o Agreement of Sale dated October 11, 1999 between Maritrans Operating Partners L.P. and Maritrans Tankers Inc. LLC
  - 10.4(f) Credit and Security Agreement dated November 20, 2001, among Maritrans Inc., the Other 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.
- 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.
  - 10.6] Severance and Non-Competition Agreement, as amended and restated effective July 16, 2001, between Maritrans General Partner Inc. and John J. Burns. (Exhibit 10.6)
  - 10.7 / Employment Agreement, as amended and restated effective April 1, 2001 between Maritrans Inc. and Stephen A. Van Dyck.
  - 10.9 Employment, Severance and Non-Competition Agreement, effective December 14, 2001, between Maritrans Inc. and Janice M. Van Dyck.

## Edgar Filing: MARITRANS INC /DE/ - Form 10-K

10.10~	Profit Sharing and Savings Plan of Maritrans Inc. as amended and restated effective November 1, 1993 (Exhibit 10.13).
10.11@	Executive Award Plan of Maritrans GP Inc. (Exhibit 10.31).
10.12@	Excess Benefit Plan of Maritrans GP Inc. as amended and restated effective January 1, 1993 (Exhibit 10.32).
10.13@	Retirement Plan of Maritrans GP Inc. as amended and restated effective January 1, 1993 (Exhibit 10.33).
10.15&	Executive Compensation Plan as amended and restated effective March 18, 1997.
10.16%	1999 Directors Equity and Key Employees Equity Compensation Plan
10.17	Severance and Non-Competition Agreement, as amended and restated effective June 16, 1997, General Partner Inc. and Philip J. Doherty.
10.18]	Severance and Non-Competition Agreement, as amended and restated effective January 7, 1997, Maritrans General Partner Inc. and Walter T. Bromfield. (Exhibit 10.18)
21.1	Subsidiaries of Maritrans Inc.
23.1	Consent of Independent Auditors

38

- \* Incorporated by reference herein to the Exhibit number in parentheses filed on March 24, 1988 with Amendment No. 1 to Maritrans Partners L. P. Form 10-K Annual Report, dated March 3, 1988, for the fiscal year ended December 31, 1987.
- + Incorporated by reference herein to the Exhibit number in parentheses filed with Maritrans Partners L. P. Form S-1 Registration Statement No. 33-11652 dated January 30, 1987 or Amendment No. 1 thereto dated March 20, 1987.
- # Incorporated by reference herein to the Exhibit of the same number filed with the Corporation's Post-Effective Amendment No. 1 to Form S-4 Registration Statement No. 33-57378 dated January 26, 1993.
- & Incorporated by reference herein to Exhibit A of the Registrant's definitive Proxy Statement filed on March 31, 1997.
- @ Incorporated by reference herein to the Exhibit number in parentheses filed with Maritrans Partners L. P. Annual Report on Form 10-K, dated March 29, 1993 for the fiscal year ended December 31, 1992.
- ^ Incorporated by reference herein to the Exhibit number in parentheses filed with Maritrans Inc. Annual Report on Form 10-K, dated March 30, 1994 for the fiscal year ended December 31, 1993.
- = Incorporated by reference herein to the Exhibit of the same number filed with Maritrans Inc. Annual Report on Form 10-K, dated March 31, 1997 for the fiscal year ended December 31, 1996.
- ~ Incorporated by reference herein to the Exhibit number in parentheses filed with Maritrans Inc. quarterly report on Form 10-Q, dated November 12, 1997 for the quarter ended September 30, 1997.



Edgar Filing: MARITRANS INC /DE/ - Form 10-K

- " Incorporated by reference herein to the Exhibit number in parentheses filed with Maritrans Inc. Annual Report on Form 10-K, dated March 30, 1998 for the fiscal year ended December 31, 1997.
- % Incorporated by reference herein to the Exhibit number in parentheses filed with the Maritrans Inc. Form S-8 Registration Statement No. 333-79891 dated June 3, 1999.
- o Incorporated by reference herein to the Exhibit number in parentheses filed with the Maritrans Inc. Form 8-K Current Report dated December 22, 1999.
- / Incorporated by reference herein to the Exhibit number in parentheses filed with Maritrans Inc. quarterly report on Form 10-Q, dated August 10, 2001 for the quarter ended June 30, 2001.
- ] Incorporated by reference herein to the Exhibit number in parentheses filed with the Maritrans Inc. Annual Report on Form 10-K, dated March 28, 2000 for the fiscal year ended December 31, 1999.

39

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.

MARITRANS INC.  
 (Registrant)  
 By: /s/ Stephen A. Van Dyck  
 -----  
 Stephen A. Van Dyck  
 Chairman of the Board  
 Dated: March 15, 2002

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 and Chief Executive Officer (Principal Executive Officer)	Dated: Marc
By:	/s/ Dr. Robert E. Boni ----- Dr. Robert E. Boni	Lead Director	Dated: Marc
By:	/s/ Dr. Craig E. Dorman ----- Dr. Craig E. Dorman	Director	Dated: Marc
By:	/s/ Robert J. Lichtenstein -----	Director	Dated: Marc

Edgar Filing: MARITRANS INC /DE/ - Form 10-K

Robert J. Lichtenstein

By: /s/ Brent A. Stiennecker  
-----  
Brent A. Stienecker

Director

Dated: Mar

By: /s/ Walter T. Bromfield  
-----  
Walter T. Bromfield

Chief Financial Officer  
(Principal Financial and  
Accounting Officer)

Dated: Mar

40

MARITRANS INC.  
SCHEDULE II - VALUATION ACCOUNT

(\$000)

DESCRIPTION -----	BALANCE AT BEGINNING OF PERIOD -----	CHARGED TO COSTS AND EXPENSES -----	DEDUCTIONS -----	BALANCE AT END OF PERIOD -----
JANUARY 1 TO DECEMBER 31, 1999				
Allowance for doubtful accounts	\$ 1,387	\$ 237	\$ 231 (a)	\$ 1,393
Allowance for notes receivable	\$ -	\$ 4,500 (b)	\$ -	\$ 4,500
Accrued shipyard costs	\$19,497	\$17,170	\$15,284 (c) \$ 3,980 (d)	\$17,403
JANUARY 1 TO DECEMBER 31, 2000				
Allowance for doubtful accounts	\$ 1,393	\$ 77	\$ 254 (a)	\$ 1,216
Allowance for notes receivable	\$ 4,500	\$ -	\$ -	\$ 4,500
Accrued shipyard costs	\$17,403	\$10,466	\$ 7,942 (c)	\$19,927
JANUARY 1 TO DECEMBER 31, 2001				
Allowance for doubtful accounts	\$ 1,216	\$ (469)	\$ 57 (a)	\$ 690
Allowance for notes receivable	\$ 4,500	\$ -	\$ -	\$ 4,500
Accrued shipyard costs	\$19,927	\$ 7,927	\$11,929 (c)	\$15,925

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

(b) Represents valuation recorded against the notes received during 1999 from the sale of assets.

(c) Deductions reflect expenditures for major periodic overhauls.

(d) Reflects reduction in reserve for shipyard accrual related to vessels sold in 1999. Amount is included in the gain on asset sales discussed in Note 2 to the consolidated financial statements.

41

