TIDEWATER INC
Form 10-Q
February 08, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2016

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: 1-6311

Tidewater Inc.

(Exact name of registrant as specified in its charter)

Delaware	72-0487776
(State of incorporation)	(I.R.S. Employer Identification No.)

601 Poydras St., Suite 1500

New Orleans, Louisiana 70130

(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (504) 568-1010

Not Applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

47,068,450 shares of Tidewater Inc. common stock $0.10 par value per share were outstanding on January 27, 2017. Registrant has no other class of common stock outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
TIDEWATER INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share and par value data)

ASSETS	December 31, 2016	March 31, 2016
Current assets:		
Cash and cash equivalents	$649,804	678,438
Trade and other receivables, net	174,335	228,113
Due from affiliate	287,592	338,595
Marine operating supplies	30,720	33,413
Other current assets	22,053	44,755
Total current assets	1,164,504	1,323,314
Investments in, at equity, and advances to unconsolidated companies	42,516	37,502
Properties and equipment:		
Vessels and related equipment	4,204,048	4,666,749
Other properties and equipment	77,880	92,065
	4,281,928	4,758,814
Less accumulated depreciation and amortization	1,272,521	1,207,523
Net properties and equipment	3,009,407	3,551,291
Other assets	98,772	71,686
Total assets	$4,315,199	4,983,793
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$50,754	49,130
Accrued expenses	67,412	91,611
Due to affiliate	132,836	187,971
Accrued property and liability losses	3,574	3,321
Current portion of long-term debt	2,036,060	2,045,516
Other current liabilities	50,274	74,825
Total current liabilities	2,340,910	2,452,374
Deferred income taxes	56,375	34,841
Accrued property and liability losses	11,113	9,478
Other liabilities and deferred credits	159,237	181,546
Commitments and Contingencies (Note 8)		
Equity:		
Common stock of $0.10 par value, 125,000,000 shares authorized,	4,707	4,707

issued 47,068,450 shares at December 31, 2016 and 47,067,715 shares at March 31, 2016		
Additional paid-in capital	171,018	166,604
Retained earnings	1,570,027	2,135,075
Accumulated other comprehensive loss	(6,446)	(6,866)
Total stockholders' equity	1,739,306	2,299,520
Noncontrolling Interests	8,258	6,034
Total equity	1,747,564	2,305,554
Total liabilities and equity	$4,315,199	4,983,793

The accompanying notes are an integral part of the condensed consolidated financial statements.

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(Unaudited)

(In thousands, except share and per share data)

	Quarter Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Revenues:				
Vessel revenues	$125,120	212,908	426,911	775,352
Other operating revenues	4,095	5,283	13,951	19,536
	129,215	218,191	440,862	794,888
Costs and expenses:				
Vessel operating costs	82,358	125,094	278,326	462,987
Costs of other operating revenues	2,714	3,778	10,040	15,624
General and administrative	34,151	35,598	104,152	116,837
Vessel operating leases	8,441	8,441	25,323	25,325
Depreciation and amortization	41,302	45,422	129,699	137,058
Gain on asset dispositions, net	(6,139)	(5,883)	(18,035)	(19,345)
Asset impairments	253,422	15,141	419,870	61,771
Restructuring charge	—	—	—	7,586
	416,249	227,591	949,375	807,843
Operating loss	(287,034)	(9,400)	(508,513)	(12,955)
Other income (expenses):				
Foreign exchange gain (loss)	2,970	(469)	(2,302)	(3,758)
Equity in net earnings (losses) of unconsolidated companies	1,557	(1,710)	2,869	(7,070)
Interest income and other, net	1,437	609	3,605	1,754
Interest and other debt costs, net	(18,587)	(13,312)	(54,018)	(39,741)
	(12,623)	(14,882)	(49,846)	(48,815)
Loss before income taxes	(299,657)	(24,282)	(558,359)	(61,770)
Income tax (benefit) expense	(2,884)	(4,679)	4,680	16,996
Net Loss	$(296,773)	(19,603)	(563,039)	(78,766)
Less: Net income (loss) attributable to noncontrolling interests	903	(94)	2,224	(370)
Net loss attributable to Tidewater Inc.	$(297,676)	(19,509)	(565,263)	(78,396)
Basic loss per common share	$(6.32)	(0.42)	(12.01)	(1.67)
Diluted loss per common share	$(6.32)	(0.42)	(12.01)	(1.67)
Weighted average common shares outstanding	47,068,079	46,943,705	47,067,887	46,956,041
Dilutive effect of stock options and restricted stock	—	—	—	—
Adjusted weighted average common shares	47,068,079	46,943,705	47,067,887	46,956,041

The accompanying notes are an integral part of the condensed consolidated financial statements.

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TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

(In thousands)

	Quarter Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Net loss	$(296,773)	(19,603)	(563,039)	(78,766)
Other comprehensive income (loss):				
Unrealized gains (losses) on available for sale securities, net of tax of $0, $0, $0 and $0	(73)	212	207	(467)
Amortization of loss on derivative contract, net of tax of $0, $0, $0 and $0	70	180	213	538
Change in other benefit plan minimum liability, net of tax of $0, $0, $0 and $0	—	—	—	70
Total comprehensive loss	$(296,776)	(19,211)	(562,619)	(78,625)

The accompanying notes are an integral part of the condensed consolidated financial statements.

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Nine Months Ended December 31,	
	2016	2015
Operating activities:		
Net loss	$(563,039)	(78,766)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	129,699	137,058
Provision for deferred income taxes	—	192
Gain on asset dispositions, net	(18,035)	(19,345)
Asset impairments	419,870	61,771
Equity in earnings (losses) of unconsolidated companies, less dividends	(2,551)	22,087
Compensation expense - stock-based	4,166	9,960
Changes in assets and liabilities, net:		
Trade and other receivables	53,778	38,726
Changes in due to/from affiliate, net	(4,132)	68,177
Marine operating supplies	2,693	9,786
Other current assets	(6,065)	1,711
Accounts payable	1,341	6,862
Accrued expenses	(27,954)	(51,068)
Accrued property and liability losses	253	(226)
Other current liabilities	(22,798)	(17,239)
Other liabilities and deferred credits	(4,541)	2,406
Other, net	(3,014)	(699)
Net cash provided by (used in) operating activities	(40,329)	191,393
Cash flows from investing activities:		
Proceeds from sales of assets	12,333	8,218
Additions to properties and equipment	(17,144)	(152,225)
Refunds from cancelled vessel construction contracts	25,565	36,190
Net cash provided by (used in) investing activities	20,754	(107,817)
Cash flows from financing activities:		
Principal payment on long-term debt	(7,337)	(109,163)
Debt borrowings	—	31,338
Cash dividends	—	(35,378)
Other	(1,722)	(961)
Net cash used in financing activities	(9,059)	(114,164)
Net change in cash and cash equivalents	(28,634)	(30,588)
Cash and cash equivalents at beginning of period	678,438	78,568

Cash and cash equivalents at end of period	$649,804	47,980
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest, net of amounts capitalized	$62,469	47,608
Income taxes	$24,749	38,208
Supplemental disclosure of non-cash investing activities:		
Additions to properties and equipment	$5,330	146

The accompanying notes are an integral part of the condensed consolidated financial statements.

TIDEWATER INC.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(In thousands)

	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Non controlling interest	Total
Balance at March 31, 2016	$ 4,707	166,604	2,135,075	(6,866)	6,034	2,305,554
Total comprehensive loss	—	—	(565,263)	420	2,224	(562,619)
Stock option activity	—	877	—	—	—	877
Cancellation of restricted stock awards	—	—	215	—	—	215
Amortization/cancellation of restricted stock units	—	3,537	—	—	—	3,537
Balance at December 31, 2016	$ 4,707	171,018	1,570,027	(6,446)	8,258	1,747,564
Balance at March 31, 2015	$ 4,703	159,940	2,330,223	(20,378)	6,227	2,480,715
Total comprehensive loss	—	—	(78,396)	141	(370)	(78,625)
Stock option activity	—	609	—	—	—	609
Cash dividends declared ($.75 per share)	—	—	(34,965)	—	—	(34,965)
Amortization of restricted stock units	1	7,843	—	—	—	7,844
Amortization/cancellation of restricted stock awards	(7)	361	—	—	—	354
Balance at December 31, 2015	$ 4,697	168,753	2,216,862	(20,237)	5,857	2,375,932

The accompanying notes are an integral part of the condensed consolidated financial statements.

(1) INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements for the interim periods presented herein have been prepared in conformity with United States generally accepted accounting principles and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the unaudited condensed consolidated financial statements at the dates and for the periods indicated as required by Rule 10-01 of Regulation S X of the Securities and Exchange Commission (SEC). Results of operations for interim periods are not necessarily indicative of results of operations for the respective full years. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the company's Annual Report on Form 10-K for the year ended March 31, 2016, filed with the SEC on May 26, 2016. All subsequent references to "Notes" refer to Notes to Consolidated Financial Statements located in Item 1 of this Quarterly Report on Form 10-Q, unless otherwise stated.

The unaudited condensed consolidated financial statements include the accounts of Tidewater Inc. and its subsidiaries. Intercompany balances and transactions are eliminated in consolidation. The company uses the equity method to account for equity investments over which the company exercises significant influence but does not exercise control and is not the primary beneficiary. Unless otherwise specified, all per share information included in this document is on a diluted earnings per share basis.

The company made certain reclassifications to prior period amounts to conform to the current year presentation, specifically, a modification to the company's reportable segments (refer to Note 12) and the adoption of ASU 2015-03, Interest-Imputation of Interest: Simplifying the Presentation of Debt Issue Costs (refer to Note 6). These reclassifications did not have a material effect on the condensed consolidated statements of earnings, balance sheets or cash flows.

(2)STATUS OF DISCUSSIONS WITH LENDERS AND NOTEHOLDERS

Please refer to Note (6) of Notes to Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q and Note (5) of Notes to Consolidated Financial Statements included in Item 8 of the company's Annual Report on Form 10-K for the year ended March 31, 2016 for additional information regarding the company's outstanding debt.

The decrease in oil and gas prices that began in the second half of fiscal 2015 and continued throughout fiscal 2016 has led to materially lower levels of spending for offshore exploration and development by the company's customers globally. In addition, newly constructed vessels have been delivered over the last several years, exacerbating weak vessel utilization. With reduced demand for offshore support vessels along with a higher number of newer generation vessels, the company has experienced a significant decline in the utilization of its vessels, average day rates received and vessel revenue. The company has implemented a number of significant cost reduction measures to mitigate the effects of significantly lower vessel revenue and, given the currently challenging offshore support vessel market and business outlook, continues its efforts to reduce its operating costs and preserve its liquidity.

At June 30, 2016, September 30, 2016 and December 31, 2016, the company did not meet the 3.0x minimum interest coverage ratio covenant (the "minimum interest coverage ratio requirement") contained in its Revolving Credit and Term Loan Agreement ("Bank Loan Agreement"), the Troms Offshore Debt and the 2013 Senior Note Agreement (the "2013 Note Agreement"). Failure to meet the minimum interest coverage ratio requirement would have resulted in covenant noncompliance; however, as discussed in more detail below, limited waivers were received. Without these limited waivers, the respective lenders and/or the noteholders would have had the ability to declare the company to be in default of the Bank Loan Agreement, the Troms Offshore Debt and/or the 2013 Note Agreement, as applicable, and accelerate the indebtedness thereunder, the effect of which would be to likewise cause the company's other Senior Notes, which were issued in 2010 and 2011, to be in default.

The company's bank loans and its notes are linked together by cross-default provisions, such that if either the lenders or the noteholders declare the loans or notes to be in default, the other indebtedness likewise will be in default, and all of the debt at that time may be accelerated if the majority of lenders or noteholders under the respective debt agreements elect to accelerate. If the company is not in compliance with covenants set forth in the agreements evidencing these debt obligations, and such non-compliance is not waived, then the holders of a majority of loans may declare the bank loans to be in default, and the holders of a majority in principal amount of any of the three classes of the company's notes may declare that class of notes to be in default. In such event, all of our indebtedness would be accelerated, and the company will not have sufficient liquidity to repay those accelerated amounts. The decision as to whether to accelerate the debt upon the company's non-compliance with the debt covenants lies with the lenders and noteholders.

The company continues to be actively engaged with its lenders and noteholders with respect to the potential restructuring of the company's various debt arrangements. It is the goal of the company that any new debt arrangements would provide the company with both sufficient liquidity and a covenant package that will allow the company to operate its business under current market conditions and until those conditions improve without a material risk of a future default of its debt agreements. However, no assurance can be given that these restructuring negotiations will be successfully concluded. Moreover, under all three of the most likely scenarios - a restructuring of the company's indebtedness outside of bankruptcy; a negotiated restructuring of the company's indebtedness under the protection of Chapter 11 of the United States Bankruptcy Code; or a Chapter 11 reorganization in the absence of a negotiated restructuring - it is likely that the shareholders' ownership interests will, at a minimum, be significantly diluted.

In order for the company, its lenders and its noteholders to reach agreement on the terms of restructured debt arrangements, the company expects that it will have to provide collateral to secure some or all of the Bank Loan Agreement, the Troms Offshore Debt and the Senior Notes, reduce the overall level of its indebtedness to its lenders and noteholders, accept a reduction in total borrowing capacity, pay a higher rate of interest, and issue some form of equity or equity linked instruments to the lenders and noteholders that would substantially reduce the ownership interest of the shareholders.

The company has previously reported that the report of the company's independent registered public accounting firm that accompanied the company's audited consolidated financial statements for the fiscal year ended March 31, 2016 (the "audit opinion") contained an explanatory paragraph regarding the company's ability to continue as a going concern. The inability of the company to obtain a clean audit opinion was an independent event of default under the Bank Loan Agreement and the Troms Offshore Debt that, in the absence of a waiver, would have allowed the lenders to accelerate the indebtedness thereunder, the effect of which would have been to likewise cause all of the company's Senior Notes to be in default.

As previously reported, the company was able to obtain limited waivers from the necessary lenders which waived the unqualified audit opinion requirement and/or waived the minimum interest coverage ratio requirement until January 27, 2017. The most recent limited waiver, which took effect on January 27, 2017, has extended the waiver of the unqualified audit opinion requirement and/or waived the minimum interest coverage ratio requirement until March 3, 2017.

The company's unaudited condensed consolidated financial statements as of and for the quarter and nine months ended December 31, 2016 were prepared assuming the company would continue as a going concern, which contemplates continuity of operations, realization of assets and the satisfaction of liabilities in the normal course of business for the twelve month period following the issuance date of these consolidated financial statements.

(3) STOCKHOLDERS' EQUITY

Dividends

The declaration of dividends is at the discretion of the company's Board of Directors, and will depend on the company's financial results, cash requirements, future prospects, and other factors deemed relevant by the Board of Directors. The Board of Directors declared no dividends for the quarter and nine month period ended December 31, 2016. The Board of Directors declared the following dividends for the quarter and nine month period ended December 2015:

(In thousands, except dividend per share)	Quarter Ended December 31, 2015	Nine Months Ended December 31, 2015
Dividends declared	$11,811	34,965
Dividend per share	0.25	0.75

In January 2016, the company suspended the quarterly dividend program in order to preserve liquidity.

Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive income (loss) by component, net of tax for the quarters and nine month periods ended December 31, 2016 and 2015 are as follows:

	For the quarter ended December 31, 2016					For the nine months ended December 31, 2016				
(in thousands)	Balance at 9/30/16	Gains/(losses) recognized in OCI	Reclasses from OCI to net income	Net period OCI	Remaining balance 12/31/16	Balance at 3/31/16	Gains/(losses) recognized in OCI	Reclasses from OCI to net income	Net period OCI	Remaining balance 12/31/16
Available for sale securities	72	(188)	115	(73)	(1)	(208)	(50)	257	207	(1)
Currency translation adjustment	(9,811)	—	—	—	(9,811)	(9,811)	—	—	—	(9,811)
Pension/Post-retirement benefits	4,683	—	—	—	4,683	4,683	—	—	—	4,683
Interest rate swaps	(1,387)	—	70	70	(1,317)	(1,530)	—	213	213	(1,317)
Total	(6,443)	(188)	185	(3)	(6,446)	(6,866)	(50)	470	420	(6,446)

	For the quarter ended December 31, 2015					For the nine months ended December 31, 2015				
(in thousands)	Balance at 9/30/15	Gains/(losses) recognized in OCI	Reclasses from OCI to net income	Net period OCI	Remaining balance 12/31/15	Balance at 3/31/15	Gains/(losses) recognized in OCI	Reclasses from OCI to net income	Net period OCI	Remaining balance 12/31/15
Available for sale securities	(444)	235	(24)	211	(233)	235	(569)	101	(468)	(233)
Currency translation adjustment	(9,811)	—	—	—	(9,811)	(9,811)	—	—	—	(9,811)
Pension/Post-retirement benefits	(9,059)	—	—	—	(9,059)	(9,129)	70	—	70	(9,059)
Interest rate swaps	(1,314)	—	180	180	(1,134)	(1,673)	—	539	539	(1,134)
Total	(20,628)	235	156	391	(20,237)	(20,378)	(499)	640	141	(20,237)

The following table summarizes the reclassifications from accumulated other comprehensive income (loss) to the condensed consolidated statement of income for the quarters and nine month periods ended December 31, 2016 and 2015:

	Quarter Ended	Nine Months Ended	Affected line item in the condensed

(In thousands)	December 31, 2016	2015	December 31, 2016	2015	consolidated statements of income
Realized gains on available for sale securities	$115	(37)	257	155	Interest income and other, net
Amortization of interest rate swap	70	277	213	829	Interest and other debt costs
Total pre-tax amounts	185	240	470	984	
Tax effect	—	84	—	344	
Total gains for the period, net of tax	$185	156	470	640	

(4)INCOME TAXES

For all periods prior to March 31, 2015, we calculated the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate for the full fiscal year to “ordinary” income or loss (pretax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period. Beginning in the quarter ended June 30, 2015, we use a discrete effective tax rate method to calculate taxes for interim periods. We determined that since small changes in estimated “ordinary” income would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate for the fiscal three and nine-month periods ended December 31, 2016.

Income tax expense for the three and nine month period ended December 31, 2016 is based on tax laws and rates applicable in the jurisdictions in which we operate and earn income. The relationship between our provision for or benefit from income taxes and our income or loss before income taxes can vary significantly from period to period considering among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues, deemed profits, or other bases utilized under local tax laws rather than income before taxes, (c) vessel movements between taxing jurisdictions and (d) our vessel operating structures.

Income tax expense for the three and nine-month periods ended December 31, 2016 primarily reflects tax liabilities in various jurisdictions that are based on revenue (deemed profit regimes) rather than pre-tax profits.

The company's balance sheet at December 31, 2016 reflects the following in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes:

(In thousands)	December 31, 2016
Tax liabilities for uncertain tax positions	$ 11,438
Income tax payable	12,903

The tax liabilities for uncertain tax positions are attributable to a foreign tax filing position and a permanent establishment issue related to a foreign joint venture. Penalties and interest related to income tax liabilities are included in income tax expense. Income tax payable is included in other current liabilities.

Unrecognized tax benefits, which would lower the effective tax rate if realized at December 31, 2016, are as follows:

(In thousands)	December 31, 2016
Unrecognized tax benefit related to state tax issues	$ 12,367
Interest receivable on unrecognized tax benefit related to state tax issues	46

With limited exceptions, the company is no longer subject to tax audits by U.S. federal, state, local or foreign taxing authorities for years prior to 2009. The company has ongoing examinations by various U.S. federal, state and foreign tax authorities and does not believe that the results of these examinations will have a material adverse effect on the company's financial position, results of operations, or cash flows.

(5) EMPLOYEE BENEFIT PLANS

U.S. Defined Benefit Pension Plan

The company has a defined benefit pension plan (pension plan) that covers certain U.S. citizen employees and other employees who are permanent residents of the United States. The pension plan is frozen and closed to new participants. This change did not affect benefits earned by participants prior to January 1, 2011. The company did not contribute to the pension plan during the quarter ended December 31, 2016, but contributed $3 million to the pension plan during the nine-month period ended December 31, 2016. The company currently does not expect to contribute to the pension plan during the remaining quarter of fiscal 2017. The company did not contribute to the pension plan during the nine-month period ended December 31, 2015.

Supplemental Executive Retirement Plan

The company also maintains a non-contributory, defined benefit supplemental executive retirement plan (supplemental plan) that provides pension benefits to certain employees in excess of those allowed under the company's tax-qualified pension plan. The supplemental plan is closed to new participation. The supplemental plan is a non-qualified plan and, as such, the company is not required to make contributions to the supplemental plan. The company contributed approximately $0.1 million to the supplemental plan during the quarter ended December 31, 2016 and approximately $0.2 million to the supplemental plan during the nine-month period ended December 31, 2016, and does not expect to contribute to the supplemental plan during the remaining quarter of fiscal 2017. The company did not contribute to the supplemental plan during the nine-month period ended December 31, 2015.

Investments held in the Rabbi trust are included in other assets at fair value. The following table summarizes the carrying value of the trust assets, including unrealized gains or losses at December 31, 2016 and March 31, 2016:

(In thousands)	December 31, 2016	March 31, 2016
Investments held in Rabbi trust	$8,697	8,811
Unrealized losses in fair value of trust assets	(1)	(208)
Unrealized losses in fair value of trust assets are net of income tax expense of	—	(168)
Obligations under the supplemental plan	26,043	25,072

To the extent that trust assets are liquidated to fund benefit payments, gains or losses, if any, will be recognized at that time. The company's obligations under the supplemental plan are included in accrued expenses and other liabilities and deferred credits on the consolidated balance sheet.

Postretirement Benefit Plan

Qualified retired employees currently are covered by a plan which provides limited health care and life insurance benefits. Costs of the plan are based on actuarially determined amounts and are accrued over the period from the date of hire to the full eligibility date of employees who are expected to qualify for these benefits. This plan is funded through payments by the company as benefits are required.

On November 20, 2015, the company eliminated its post-65 medical coverage for all current and future retirees effective January 1, 2017. The plan amendment resulted in a $0.3 million and $1.9 million increase in net periodic postretirement benefit, which reduced pension expense, during the quarter and nine-month period ended December 31, 2016, respectively, as compared to the same periods during fiscal 2016. The medical coverage remains unchanged for participants under age 65.

Net Periodic Benefit Costs

The net periodic benefit cost for the company's defined benefit pension plans and supplemental plan (referred to collectively as "Pension Benefits") and the postretirement health care and life insurance plan (referred to collectively as "Other Benefits") is comprised of the following components:

	Quarter Ended December 31,		Nine Months Ended December 31,	
(In thousands)	2016	2015	2016	2015
Pension Benefits:				
Service cost	$257	234	763	702
Interest cost	941	935	2,823	2,805
Expected return on plan assets	(548)	(530)	(1,645)	(1,590)
Administrative expenses	2	—	6	—
Amortization of prior service cost	—	9	—	27
Recognized actuarial loss	446	567	1,338	1,701
Net periodic benefit cost	$1,098	1,215	3,285	3,645
Other Benefits:				
Service cost	$20	41	60	191
Interest cost	50	103	150	524
Amortization of prior service cost	(1,086)	(899)	(3,258)	(1,920)
Recognized actuarial benefit	(285)	(281)	(855)	(770)
Net periodic benefit cost	$(1,301)	(1,036)	(3,903)	(1,975)

(6) INDEBTEDNESS

The following is a summary of debt outstanding at December 31, 2016 and March 31, 2016:

(In thousands)	December 31, 2016	March 31, 2016
Term loan	$300,000	300,000
Revolving line of credit	600,000	600,000
September 2013 senior unsecured notes	500,000	500,000
August 2011 senior unsecured notes	165,000	165,000
September 2010 senior unsecured notes:	382,500	382,500
May 2015 4.22% notes	27,421	30,033
March 2015 4.21% notes	25,802	27,030
January 2014 3.81% notes	27,487	30,207
May 2012 5.38% notes	14,791	17,500
	$2,043,001	2,052,270
Less: Deferred debt issue costs	6,941	6,754
Total debt	$2,036,060	2,045,516

U.S. Dollar Denominated Debt

The following table contains additional detail for U.S. dollar denominated borrowings outstanding at December 31, 2016 and March 31, 2016:

(In thousands, except weighted average data)	December 31, 2016	March 31, 2016
Bank loan agreement:		
Term loan (A)	$300,000	300,000
Fair value term loan outstanding (Level 2)	165,000	300,000
Revolving line of credit (A) (B)	600,000	600,000
Fair value revolving line of credit outstanding (Level 2)	330,000	600,000
September 2013 senior unsecured notes:		
Aggregate debt outstanding	$500,000	500,000
Weighted average remaining life in years (C)	6.6	7.4
Weighted average coupon rate on notes outstanding	4.86 %	4.86 %
Fair value of debt outstanding (Level 2)	$275,000	342,746
August 2011 senior unsecured notes:		
Aggregate debt outstanding	$165,000	165,000
Weighted average remaining life in years (C)	3.8	4.6
Weighted average coupon rate on notes outstanding	4.42 %	4.42 %
Fair value of debt outstanding (Level 2)	$90,750	127,148
September 2010 senior unsecured notes:		
Aggregate debt outstanding	$382,500	382,500

Weighted average remaining life in years (C)	3.3	4.1
Weighted average coupon rate on notes outstanding	4.35 %	4.35 %
Fair value of debt outstanding (Level 2)	$ 210,375	302,832
May 2015 4.22% notes (D):		
Amount outstanding	$ 27,421	30,033
Fair value of debt outstanding (Level 2)	27,409	30,062
March 2015 4.21% notes (D):		
Amount outstanding	$ 25,802	27,030
Fair value of debt outstanding (Level 2)	25,765	27,027

(A) The fair value of the term loan and the revolving line of credit approximated their carrying values at March 31, 2016.

(B) The revolver was fully utilized at December 31, 2016 and March 31, 2016, respectively.

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(C) Weighted average remaining life in years is based on stated maturities; however, all of the company's indebtedness has been reclassified as current since March 31, 2016.
(D) Troms Offshore debt requires semi-annual principal payments and has a 12 year maturity.

As of December 31, 2016 the company was in compliance with the maximum 55% debt to capital ratio set forth in its debt facilities and note indentures; however, the company was out of compliance with the 3.0x minimum interest coverage ratio requirement contained in its Revolving Line of Credit and Term Loan Agreement, 2013 Note Agreement and Troms Offshore Debt. Refer to further discussion of this matter in Note (2) in this Quarterly Report on Form 10-Q.

Norwegian Kroner Denominated Debt

The following table contains additional detail for Norwegian Kroner (NOK) denominated borrowings outstanding at December 31, 2016 and March 31, 2016, and their U.S. dollar equivalents:

(In thousands)	December 31, 2016	March 31, 2016
January 2014 3.81% notes (A):		
NOK denominated	237,500	250,000
U.S. dollar equivalent	$ 27,487	30,207
Fair value in U.S. dollar equivalent (Level 2)	27,442	30,199
May 2012 5.38% notes (A):		
NOK denominated	127,800	144,840
U.S. dollar equivalent	$ 14,791	17,500
Fair value in U.S. dollar equivalent (Level 2)	14,767	17,479

(A) Troms Offshore debt requires semi-annual principal payments and has a 12 year maturity.

Debt Costs

The company capitalizes a portion of its interest costs incurred on borrowed funds used to construct vessels. The following is a summary of interest and debt costs incurred, net of interest capitalized, for the quarters and nine-month periods ended December 31, 2016 and 2015:

	Quarter Ended December 31,		Nine Months Ended December 31,	
(In thousands)	2016	2015	2016	2015
Interest and debt costs incurred, net of interest capitalized	$ 18,587	13,312	54,018	39,741
Interest costs capitalized	1,118	2,513	3,612	8,280
Total interest and debt costs	$ 19,705	15,825	57,630	48,021

During the first quarter of fiscal 2017, the company adopted ASU 2015-03, Interest-Imputation of Interest: Simplifying the Presentation of Debt Issue Costs which requires that debt issuance costs related to a recognized debt liability are presented in the balance sheet as a deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by this guidance. Consistent with this guidance, $6.9 million and $6.8 million have been reclassified from other assets and are now presented as a reduction of debt as of December 31, 2016 and March 31, 2016, respectively.

(7) LOSS PER SHARE

The components of basic and diluted loss per share for the quarters and the nine-month periods ended December 31, 2016 and 2015 are as follows:

(In thousands, except share and per share data)	Quarter Ended December 31, 2016	Quarter Ended December 31, 2015	Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2015
Net loss available to common shareholders	$(297,676)	(19,509)	(565,263)	(78,396)
Weighted average outstanding shares of common stock, basic	47,068,079	46,943,705	47,067,887	46,956,041
Dilutive effect of options and restricted stock awards and units	—	—	—	—
Weighted average common stock and equivalents	47,068,079	46,943,705	47,067,887	46,956,041
Loss per share, basic (A)	$(6.32)	(0.42)	(12.01)	(1.67)
Loss per share, diluted (B)	$(6.32)	(0.42)	(12.01)	(1.67)
Additional information:				
Antidilutive incremental options and restricted stock awards and units	193,238	455,663	338,039	385,073

(A) The company calculates "Loss per share, basic" by dividing "Net loss available to common shareholders" by "Weighted average outstanding shares of common stock, basic".

(B) The company calculates "Loss per share, diluted" by dividing "Net loss available to common shareholders" by "Weighted average common stock and equivalents". As a result of the net losses incurred, the company has excluded the antidilutive effect of incremental share equivalents related to options, restricted stock awards and restricted stock units from the "Loss per share, diluted" calculation for the quarters and nine month periods ended December 31, 2016 and 2015.

(8) COMMITMENTS AND CONTINGENCIES

Vessel and Other Commitments

The table below summarizes the company's various vessel commitments to acquire and construct new vessels, by vessel type, as of December 31, 2016:

(In thousands, except vessel count)	Number of Vessels	Total Cost	Invested Through 12/31/16	Remaining Balance 12/31/16
Vessels under construction (A):				
Deepwater PSVs	3	$164,279	117,624	46,655
Total vessel commitments	3	$164,279	117,624	46,655

(A) The two remaining option vessels and a fast supply boat are not included in the table above.

The company has approximately $46.7 million in unfunded capital commitments associated with the three vessels under construction at December 31, 2016. The total cost of the three new-build vessels includes contract costs and other incidental costs. At December 31, 2016, three deepwater platform supply vessels (PSVs), each with approximately 5,400 deadweight tons (DWT) of cargo capacity, were under construction at different shipyards around the world. The deliveries of the remaining three new-build vessels are expected between February and June 2017.

In June and September of 2015, the company entered into settlement agreements with an international shipyard, which at the time was constructing six 7,145 BHP towing-supply-class vessels and six 261-foot, 4,700 DWT tons of cargo capacity, deepwater PSVs. Under the settlement agreements, (a) the company took delivery of two towing-supply-class vessels and two PSVs at discounted purchase prices, (b) contracts for the four remaining towing-supply-class vessels were terminated and installment payments were returned to the company and (c) the company received options (but not obligations) to acquire the four remaining PSVs. As previously reported, the company owed $5.1 million in installments on two of the PSVs previously delivered by this shipyard as of March 31, 2016. The shipyard agreed to allow the company to offset the $5.1 million in obligations against the $19.1 million refund owed to the company. In October 2016, the company notified the shipyard that it would not be exercising the four remaining options and in November 2016 the shipyard returned to the

company the remaining $14 million in installments on these four PSVs. As a result of these settlements, in fiscal 2016, the company (a) received cash returned by the shipyard of $36 million, (b) terminated its obligation to make any additional payments of approximately $50 million, (c) used $3.5 million of accrued interest due to the company on returned installment payments to offset installment obligations on the four vessels ultimately delivered by this shipyard, and (d) recorded an impairment charge of $0.8 million to write off the amounts not recoverable from the shipyard. In fiscal 2017, the company (w) received cash from the shipyard of approximately $26 million, (x) terminated its obligation to make any additional payments of approximately $35 million, (y) used $3.8 million of accrued interest due to the company on returned installment payments to offset installment obligations on the four vessels ultimately delivered by this shipyard, and (z) recognized a gain of $0.8 million during the quarter ended December 31, 2016 related to the final refunds received from the shipyard. The company anticipates that there will be no further payments, credits or charges under the settlement agreements.

In May 2015, the company entered into a settlement agreement with another international shipyard constructing two 275-foot, 3,800 deadweight tons of cargo capacity, deepwater PSVs to resolve issues associated with the late delivery of these vessels. Under the terms of the settlement, the company could elect to take delivery of one or both completed vessels at any time prior to June 30, 2016. If the company did not elect to take delivery of one or both vessels prior to June 30, 2016 (as that date may be extended by mutual agreement), (a) the company was entitled to receive the return of $5.4 million in aggregate installment payments per vessel together with interest on these installments (which aggregates to approximately $11.9 million) and (b) the company would be relieved of the obligation to pay to the shipyard the $21.7 million of remaining payments per vessel. The company recorded an impairment charge of $1.9 million in the fourth quarter of fiscal 2016 to write off the amount not recovered from the shipyard. In June 2016, the shipyard returned to the company approximately $11.5 million (or $11.7 million owed less foreign taxes on interest totaling approximately $0.2 million). The company and shipyard agreed to permit the shipyard to continue to hold the remaining $0.25 million of installments and extend the option period for both vessels until December 31, 2016. In December 2016, the shipyard returned to the company $0.2 million and the shipyard was permitted to hold the remaining $0.05 million of installments and extend the option period for both vessels until June 30, 2017. These two vessels are not included in the preceding table of vessel commitments as of December 31, 2016.

The company has experienced substantial delay with one fast supply boat under construction in Brazil that was originally scheduled to be delivered in September 2009. On April 5, 2011, pursuant to the vessel construction contract, the company sent the subject shipyard a letter initiating arbitration in order to resolve disputes of such matters as the shipyard’s failure to achieve payment milestones, its failure to follow the construction schedule, and its failure to timely deliver the vessel. The company has suspended construction on the vessel and both parties continue to pursue arbitration. The company has third party credit support in the form of insurance coverage for 90% of the progress payments made on this vessel, or all but approximately $2.4 million of the carrying value of the accumulated costs through June 30, 2015. During the first quarter of fiscal 2016, the company recorded an impairment charge of $2.4 million (representing amounts not covered by insurance) and reclassified the remaining $5.6 million from construction in progress to other non-current assets. This vessel is not included in the preceding table of vessel commitments as of December 31, 2016.

The company generally requires shipyards to provide third party credit support in the event that vessels are not completed and delivered timely and in accordance with the terms of the shipbuilding contracts. That third party credit support typically guarantees the return of amounts paid by the company and generally takes the form of refundment

guarantees or standby letters of credit issued by major financial institutions generally located in the country of the shipyard. While the company seeks to minimize its shipyard credit risk by requiring these instruments, the ultimate return of amounts paid by the company in the event of shipyard default is still subject to the creditworthiness of the shipyard and the provider of the credit support, as well as the company’s ability to successfully pursue legal action to compel payment of these instruments. When third party credit support that is acceptable to the company is not available or cost effective, the company endeavors to limit its credit risk by minimizing pre-delivery payments and through other contract terms with the shipyard.

Sonatide Joint Venture

The company has previously disclosed the significant financial and operational challenges that it confronts with respect to its substantial operations in Angola, as well as steps that the company has taken to address or mitigate those risks. Most of the company’s attention has been focused in three areas: reducing the net receivable balance due the company from Sonatide, its Angolan joint venture with Sonangol, for vessel services; reducing the foreign currency risk created by virtue of provisions of Angolan law that require that payment for a significant portion of the services provided by Sonatide be paid in Angolan kwanza; and optimizing opportunities, consistent with Angolan law, for services provided by the company be paid for directly in U.S. dollars. These challenges, and the company’s efforts to respond, continue.

Amounts due from Sonatide (Due from affiliate in the consolidated balance sheets) at December 31, 2016 and March 31, 2016 of approximately $288 million and $339 million, respectively, represent cash received by Sonatide from customers and due to the company, amounts due from customers that are expected to be remitted to the company through Sonatide and costs incurred by the company on behalf of Sonatide. Approximately $112 million of the balance at December 31, 2016 represents invoiced but unpaid vessel revenue related to services performed by the company through the Sonatide joint venture. Remaining amounts due to the company from Sonatide are, in part, supported by (i) approximately $86 million of cash (primarily denominated in Angolan kwanzas) held by Sonatide that is pending conversion into U.S. dollars and the subsequent expatriation of such funds and (ii) approximately $133 million of amounts due from the company to Sonatide.

For the nine months ended December 31, 2016, the company collected (primarily through Sonatide) approximately $80 million from its Angolan operations. Of the $80 million collected, approximately $73 million were U.S. dollars received by Sonatide on behalf of the company or U.S. dollars directly received by the company from customers. The balance of $7 million collected reflects Sonatide's conversion of Angolan kwanza into U.S. dollars and the subsequent expatriation of the dollars and payment to the company. The company also reduced the net due from affiliate and due to affiliate balances by approximately $69 million during the nine months ended December 31, 2016 through netting transactions based on an agreement with the joint venture.

Amounts due to Sonatide (Due to affiliate in the consolidated balance sheets) at December 31, 2016 and March 31, 2016 of approximately $133 million and $188 million, respectively, represents amounts due to Sonatide for commissions payable and other costs paid by Sonatide on behalf of the company.

The company believes that the process for converting Angolan kwanzas continues to function, but the tight U.S. dollar liquidity situation continues in Angola. Sonatide continues to press the commercial banks with which it has relationships to increase the amount of U.S. dollars that are made available to Sonatide.

For the nine months ended December 31, 2016, the company's Angolan operations generated vessel revenues of approximately $101 million, or 24%, of its consolidated vessel revenue, from an average of approximately 59 company-owned vessels that are marketed through the Sonatide joint venture (19 of which were stacked on average during the nine months ended December 31, 2016), and, for the nine months ended December 31, 2015, generated vessel revenues of approximately $172 million, or 22%, of consolidated vessel revenue, from an average of approximately 66 company-owned vessels (eight of which were stacked on average during the nine months ended December 31, 2015).

Sonatide owns seven vessels (three of which are currently stacked) and certain other assets, in addition to earning commission income from company-owned vessels marketed through the Sonatide joint venture (owned 49% by the company). As of December 31, 2016 and March 31, 2016, the carrying value of the company's investment in the Sonatide joint venture, which is included in "Investments in, at equity, and advances to unconsolidated companies," was approximately $43 million and $37 million, respectively.

The Angolan government enacted a new statute, which came into effect on July 1, 2016, for a new special contribution on certain banking transactions that imposed a 0.1% tax on the value of all debit transactions from customer's accounts. The new tax was imposed on Sonatide's banking transactions. The decree that imposed the 0.1% tax was revoked effective January 1, 2017, and is no longer imposed on Sonatide's banking transactions.

Management continues to explore ways to profitably participate in the Angolan market while looking for opportunities to reduce the overall level of exposure to the increased risks that the company believes currently characterize the Angolan market. Included among mitigating measures taken by the company to address these risks is the redeployment of vessels from time to time to other markets. Redeployment of vessels to and from Angola during the nine months ended December 31, 2016 and year ended March 31, 2016 has resulted in a net 18 and 23 vessels transferred out of Angola, respectively.

Brazilian Customs

In April 2011, two Brazilian subsidiaries of the company were notified by the Customs Office in Macae, Brazil that they were jointly and severally being assessed fines of 155 million Brazilian reais (approximately $47.5 million as of December 31, 2016). The assessment of these fines is for the alleged failure of these subsidiaries to obtain import licenses with respect to 17 company vessels that provided Brazilian offshore vessel services to Petrobras, the Brazilian national oil company, over a three-year period ended December 2009. After consultation with its Brazilian tax advisors, the company and its Brazilian subsidiaries believe that vessels that provide services under contract to the Brazilian offshore oil and gas industry are deemed, under applicable law and regulations, to be temporarily imported into Brazil, and thus exempt from the import license requirement. The Macae Customs Office has, without a change in the underlying applicable law or regulations, taken

the position that the temporary importation exemption is only available to new, and not used, goods imported into Brazil and therefore it was improper for the company to deem its vessels as being temporarily imported. The fines have been assessed based on this new interpretation of Brazilian customs law taken by the Macae Customs Office.

After consultation with its Brazilian tax advisors, the company believes that the assessment is without legal justification and that the Macae Customs Office has misinterpreted applicable Brazilian law on duties and customs. The company is vigorously contesting these fines (which it has neither paid nor accrued). Based on the advice of its Brazilian counsel, the company believes that it has a high probability of success with respect to overturning the entire amount of the fines, either at the administrative appeal level or, if necessary, in Brazilian courts. In May 2016, a final administrative appeal allowed fines totaling 3 million Brazilian reais (approximately $1 million as of December 31, 2016). The company intends to appeal this 3 million Brazilian reais administrative award to the appropriate Brazilian court. If the Macae Customs Office were to prevail in the Brazil court action, the company would also be liable to pay substantial interest in the 3 million reais award. In addition, the company will likely have to deposit up to $3 million reais with the court in connection with the appeal. Fines totaling 30 million Brazilian reais (approximately $9.2 million as of December 31, 2016) are still subject to additional administrative appeals board hearings, but the company believes that previous administrative appeals board decisions will be helpful in those upcoming hearings for the vast majority of amounts still claimed by the Macae Customs Office. The remaining fines totaling 122 million (approximately $37.4 million as of December 31, 2016) of the original 155 million Brazilian reais of fines are now formally decided in favor of the company and are no longer at issue. The company believes that the ultimate resolution of this matter will not have a material effect on the company’s financial position, results of operations or cash flows.

Repairs to U.S. Flagged Vessels Operating Abroad

During fiscal 2015 the company became aware that it may have had compliance deficiencies in documenting and declaring upon re-entry to the U.S. certain foreign purchases for or repairs to U.S. flagged vessels while they were working outside of the U.S. When a U.S. flagged vessel operates abroad, certain foreign purchases for or repairs made to the U.S. flagged vessel while it is outside of the U.S. are subject to declaration with U.S. Customs and Border Protection (CBP) upon re-entry to the U.S. and are subject to 50% vessel repair duty. During our examination of our most recent filings with CBP, we determined that it was necessary to file amended forms with CBP to supplement previous filings. We have amended several vessel repair entries with CBP and have paid additional vessel repair duties and interest associated with these amended forms. We continue to review and evaluate the return of other U.S. flagged vessels to the U.S. to determine whether it is necessary to adjust our responses in any of those instances. To the extent that further evaluation requires us to file amended entries for additional vessels, we do not yet know the final magnitude of duties, civil penalties, fines and interest associated with amending the entries for these vessels. It is also possible that CBP may seek to impose civil penalties, fines or interest in connection with amended forms already submitted.

Currency Devaluation and Fluctuation Risk

Due to the company's international operations, the company is exposed to foreign currency exchange rate fluctuations and exchange rate risks on all charter hire contracts denominated in foreign currencies. For some of our international contracts, a portion of the revenue and local expenses are incurred in local currencies with the result that the company is at risk of changes in the exchange rates between the U.S. dollar and foreign currencies. We generally do not hedge against any foreign currency rate fluctuations associated with foreign currency contracts that arise in the normal course of business, which exposes us to the risk of exchange rate losses. To minimize the financial impact of these items, the company attempts to contract a significant majority of its services in U.S. dollars. In addition, the company attempts to minimize the financial impact of these risks by matching the currency of the company's operating costs with the currency of the revenue streams when considered appropriate. The company continually monitors the currency exchange risks associated with all contracts not denominated in U.S. dollars.

Legal Proceedings

Arbitral Award for the Taking of the Company's Venezuelan Operations

On December 27, 2016, the annulment committee formed under the rules of the World Bank's International Centre for Settlement of Investment Disputes ("ICSID") issued a decision on the Bolivarian Republic of Venezuela's ("Venezuela") application to annul the award rendered by an ICSID tribunal on March 13, 2015. As previously reported, the award granted two subsidiaries of the Company (the "Claimants") compensation for Venezuela's expropriation of their investments in that country. The nature of the investments expropriated and the progress of the ICSID proceeding were previously reported by the company in prior filings. The annulment committee's decision reduced the total compensation awarded to the Claimants to $36.4 million. That compensation is accruing interest at an annual rate of 4.5% compounded quarterly from May 8, 2009

to the date of payment of that amount ($14.8 million as of December 31, 2016). The annulment committee also left undisturbed the portion of the award that granted the Claimants $2.5 million in legal fees and other costs related to the arbitration. The reduction of $10 million in compensation from the earlier award of $46.4 million represents that portion of the tribunal's award that the annulment committee determined had not been properly explained by the tribunal's analysis. The final aggregate award is therefore $53.7 million as of December 31, 2016. The award for that amount is immediately enforceable and not subject to any further stay of enforcement. The annulment committee's decision is not subject to any further ICSID review, appeal or other substantive proceeding, unless the company decides to pursue additional compensation through ICSID related to the portion of the award reduced by the annulment committee. The company has not made any decision whether to pursue any such additional relief.

The company is committed to taking appropriate steps to enforce and collect the award, which is enforceable in any of the 150 member states that are party to the ICSID Convention. As an initial step, the company was successful in having the award recognized and entered in March 2015 as a final judgment by the United States District Court for the Southern District of New York. In addition, the company was successful in having the award recognized and entered in November 2016 as a final judgment of the High Court of Justice of England and Wales. Even with the recognition of the award in the United States and United Kingdom courts, the company recognizes that collection of the award may present significant practical challenges. The company is accounting for this matter as a gain contingency, and will record any such gain in future periods if and when the contingency is resolved, in accordance with ASC 450 Contingencies.

Nigeria Marketing Agent Litigation

In October 2012, the company notified its Nigerian marketing agent, Phoenix Tide Offshore Nigeria Limited ("Phoenix Tide"), that it was discontinuing its relationship with the marketing agent and two of its principals (H.H. The Otunba Ayora Dr. Bola Kuforiji-Olubi, OON and Olutokunbo Afolabi Kuforiji). The company subsequently entered into a new strategic relationship with a different Nigerian marketing agent that it believes will better serve the company's long term interests in Nigeria. This strategic relationship is currently functioning as the company intended.

The company is currently engaged in a number of legal disputes with Phoenix Tide and its two principals both in Nigeria and in the United Kingdom. The substance of these disputes have been disclosed in prior filings.

In the United Kingdom, the company has been successful in obtaining favorable court orders against Phoenix Tide on a variety of issues, including the fact that Phoenix Tide wrongly interfered in stopping the approximate$12 million payment from TOTAL S.A. to the company. In April 2016, a United Kingdom court ruled that Phoenix Tide's two principals were personally responsible for interfering with the company's business relationship with TOTAL S.A. In June 2016, a United Kingdom court assessed damages and legal costs against Phoenix Tide's two principals for their tortious interference.

Subsequent to the close of quarter ending December 31, 2016, on January 26, 2017, the company, Phoenix Tide and its surviving principal, Olutokunbo Afolabi Kuforiji, filed a signed settlement agreement with the Nigerian Appeals Court that is intended to resolve all legal disputes and provides for payment by various affiliates of TOTAL to the company of approximately $12 million (inclusive of U.S. dollar and Naira denominations). The Nigerian Appeals Court has approved the settlement agreement and the TOTAL affiliates have consented to the payment terms provided therein.

The company has not reserved for this $12 million receivable and believes that the ultimate resolution of this matter will not have a material effect on the company's financial position, results of operations or cash flows.

Various legal proceedings and claims are outstanding which arose in the ordinary course of business. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions, will not have a material adverse effect on the company's financial position, results of operations, or cash flows.

(9) FAIR VALUE MEASUREMENTS
Assets and Liabilities Measured at Fair Value on a Recurring Basis

The company's supplemental plan assets are accounted for at fair value and are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement, with the exception of investments for which fair value is measured using the net asset value (NAV) per share expedient.

The following table provides the fair value hierarchy for the supplemental plan assets measured at fair value as of December 31, 2016:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Measured at Net Asset Value
Equity securities:	$5,164	5,164	—	—	—
Debt securities:	3,207	860	725	—	1,622
Cash and cash equivalents	367	55	257	—	55
Total	$8,738	6,079	982	—	1,677
Other pending transactions	(40)	(40)	—	—	—
Total fair value of plan assets	$8,698	6,039	982	—	1,677

The following table provides the fair value hierarchy for the supplemental plan assets measured at fair value as of March 31, 2016:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Measured at Net Asset Value
Equity securities:	$4,834	4,834	—	—	—
Debt securities:	3,374	972	739	—	1,663
Cash and cash equivalents	343	13	282	—	48
Total	$8,551	5,819	1,021	—	1,711
Other pending transactions	260	291	(49)	—	18
Total fair value of plan assets	$8,811	6,110	972	—	1,729

Other Financial Instruments

The company's primary financial instruments consist of cash and cash equivalents, trade receivables and trade payables with book values that are considered to be representative of their respective fair values. The company periodically utilizes derivative financial instruments to hedge against foreign currency denominated assets and liabilities, currency commitments, or to lock in desired interest rates. These transactions are generally spot or forward currency contracts

or interest rate swaps that are entered into with major financial institutions. Derivative financial instruments are intended to reduce the company's exposure to foreign currency exchange risk and interest rate risk. The company enters into derivative instruments only to the extent considered necessary to address its risk management objectives and does not use derivative contracts for speculative purposes. The derivative instruments are recorded at fair value using quoted prices and quotes obtainable from the counterparties to the derivative instruments.

Cash Equivalents. The company's cash equivalents, which are securities with maturities less than 90 days, are held in money market funds or time deposit accounts with highly rated financial institutions. The carrying value for cash equivalents is considered to be representative of its fair value due to the short duration and conservative nature of the cash equivalent investment portfolio.

Spot Derivatives. Spot derivative financial instruments are short-term in nature and generally settle within two business days. The fair value of spot derivatives approximates the carrying value due to the short-term nature of this instrument, and as a result, no gains or losses are recognized.

The company had no outstanding spot contracts at December 31, 2016. The company had two foreign exchange spot contracts outstanding at March 31, 2016, which had a notional value of $1.4 million and settled April 1, 2016.

Forward Derivatives. Forward derivative financial instruments are usually longer-term in nature but generally do not exceed one year. The accounting for gains or losses on forward contracts is dependent on the nature of the risk being hedged and the effectiveness of the hedge. Forward contracts are valued using counterparty quotations, and we validate the information obtained from counterparties in calculating the ultimate fair values using the market approach and obtaining broker quotations. As such, these derivative contracts are classified as Level 2.

At December 31, 2016, the company had no remaining forward contracts outstanding. The combined change in fair value of the Norwegian kroner (NOK) forward contracts settled during the nine months ended December 31, 2016 was $0.7 million, all of which was recorded as a foreign exchange loss because the forward contracts did not qualify as hedge instruments. All changes in the fair value of the settled forward contracts were recorded in earnings.

At March 31, 2016, the company had 13 Norwegian kroner (NOK) forward contracts outstanding which had expiration dates between July 1, 2016 and November 10, 2016. The combined change in fair value of the outstanding forward contracts during the fiscal year ended March 31, 2016 was $0.1 million, all of which was recorded as a foreign exchange loss because the forward contracts did not qualify as hedge instruments. All changes in the fair value of the forward contracts were recorded in earnings.

The following table provides the fair value hierarchy for the company’s other financial instruments measured as of December 31, 2016:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$612,768	612,768	—	—
Total fair value of assets	$612,768	612,768	—	—

The following table provides the fair value hierarchy for the company’s other financial instruments measured as of March 31, 2016:

(In thousands)	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$643,770	643,770	—	—
Total fair value of assets	$643,770	643,770	—	—

For disclosures related to assets and liabilities measured at fair value on a nonrecurring basis refer to Note (15).

(10) OTHER CURRENT ASSETS, OTHER ASSETS, ACCRUED EXPENSES, OTHER CURRENT LIABILITIES AND OTHER LIABILITIES AND DEFERRED CREDITS

A summary of other current assets at December 31, 2016 and March 31, 2016 is as follows:

(In thousands)	December 31, 2016	March 31, 2016
Deposits on vessel construction options (A)	$ 50	30,285
Deposits - general	12,670	8,076
Prepaid expenses	9,333	6,394
Total other current assets	$ 22,053	44,755

(A) Refer to Note (8) for additional discussion regarding the vessels under construction with option agreements.

A summary of other assets at December 31, 2016 and March 31, 2016 is as follows:

(In thousands)	December 31, 2016	March 31, 2016
Recoverable insurance losses	$ 11,047	9,412
Deferred income tax assets	55,039	33,505
Savings plans and supplemental plan	14,452	14,472
Other	18,234	14,297
Total other assets	$ 98,772	71,686

A summary of accrued expenses at December 31, 2016 and March 31, 2016 is as follows:

(In thousands)	December 31, 2016	March 31, 2016
Payroll and related payables	$ 11,301	12,864
Commissions payable	4,140	7,193
Accrued vessel expenses	37,849	45,838
Accrued interest expense	4,902	15,120
Other accrued expenses	9,220	10,596
Total accrued expenses	$ 67,412	91,611

A summary of other current liabilities at December 31, 2016 and March 31, 2016 is as follows:

(In thousands)	December 31, 2016	March 31, 2016
Taxes payable	$ 24,968	45,854
Deferred gain on vessel sales - current	23,798	23,798
Other	1,508	5,173
Total other current liabilities	$ 50,274	74,825

A summary of other liabilities and deferred credits at December 31, 2016 and March 31, 2016 is as follows:

(In thousands)	December 31, 2016	March 31, 2016

Postretirement benefits liability	$ 311	4,755
Pension liabilities	40,289	41,690
Deferred gain on vessel sales	94,873	112,721
Other	23,764	22,380
Total other liabilities and deferred credits	$ 159,237	181,546

(11) ACCOUNTING PRONOUNCEMENTS

From time to time new accounting pronouncements are issued by the FASB that are adopted by the company as of the specified effective date.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory, which removes the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. This new guidance is effective for the company in the first quarter of fiscal year 2018. The company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which amends ASC 230 to add or clarify guidance on the classification of certain specific types of cash receipts in the statement of cash flows with the intent of reducing diversity in practice. This new guidance is effective for the company in the first quarter of fiscal year 2018. The company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In March 2016, the FASB issues ASU 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of accounting for share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. Under this new guidance an entity recognizes all excess tax benefits and deficiencies as income tax expense or benefit in the income statement. This new guidance is effective for the company in the first quarter of fiscal year 2018. The company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases, which amended guidance for lease arrangements in order to increase transparency and comparability by providing additional information to users of financial statements regarding an entity's leasing activities. The revised guidance requires reporting entities to recognize lease assets and lease liabilities on the balance sheet for substantially all lease arrangements. The new guidance is effective for the company in the first quarter of fiscal year 2020 and will be applied on a modified retrospective basis beginning with the earliest period presented. The company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes, which simplifies the presentation of deferred income taxes and requires that deferred tax assets and liabilities be classified as non-current on the balance sheet. No prior periods would be retrospectively adjusted. The new guidance is effective for the company in the first quarter of fiscal year 2018. The company believes that the impact of the implementation of this new guidance on its consolidated financial statements and disclosures will not be significant.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. ASU 2014-09 supersedes prior revenue recognition guidance and provides a five step recognition framework that will require entities to recognize the amount of revenue to which it expects to be entitled for the transfer of goods and services. In July 2015, the FASB permitted early adoption and deferred the effective date of this guidance one year, therefore, it will be effective for the company in the first quarter of fiscal 2019 and may be implemented retrospectively to all years presented or in the period of adoption through a cumulative adjustment. The company is evaluating the impact of the implementation of this new guidance on its consolidated financial statements and disclosures.

(12) SEGMENT AND GEOGRAPHIC DISTRIBUTION OF OPERATIONS

At the beginning of fiscal 2017 the company’s operations in the Mediterranean Sea (based in Egypt) were transitioned from the company’s previously disclosed Middle East/North Africa operations and included with the company’s previously disclosed Sub-Saharan Africa/Europe operations as a result of management realignments. As such, the company now discloses these new segments as Middle East and Africa/Europe, respectively. The company’s Americas and Asia/Pacific segments are not affected by this change. This new segment alignment is consistent with the company’s chief operating decision maker’s review of operating results for the purposes of allocating resources and assessing performance. Fiscal 2016 amounts have been recast to conform to the new segment alignment.

The following table provides a comparison of segment revenues, vessel operating profit (loss), depreciation and amortization, and additions to properties and equipment for the quarters and nine-month periods ended December 31, 2016 and 2015. Vessel revenues and operating costs relate to vessels owned and operated by the company while other operating revenues relate to the activities of the remotely operated vehicles (ROVs), brokered vessels and other miscellaneous marine-related businesses.

	Quarter Ended December 31,		Nine Months Ended December 31,	
(In thousands)	2016	2015	2016	2015
Revenues:				
Vessel revenues:				
Americas	$45,577	75,963	159,310	279,345
Asia/Pacific	5,586	19,144	19,617	79,254
Middle East	20,647	26,256	68,323	87,193
Africa/Europe	53,310	91,545	179,661	329,560
	125,120	212,908	426,911	775,352
Other operating revenues	4,095	5,283	13,951	19,536
	$129,215	218,191	440,862	794,888
Vessel operating profit (loss):				
Americas	$(6,242)	9,289	(11,745)	41,940
Asia/Pacific	(5,586)	(3,796)	(17,256)	4,122
Middle East	(2,782)	650	(1,890)	4,898
Africa/Europe	(11,559)	3,120	(38,940)	19,085
	(26,169)	9,263	(69,831)	70,045
Other operating profit (loss)	116	(626)	(1,323)	(3,120)
	(26,053)	8,637	(71,154)	66,925
Corporate general and administrative expenses	(13,133)	(7,150)	(33,632)	(25,096)
Corporate depreciation	(565)	(1,629)	(1,892)	(4,772)
Corporate expenses	(13,698)	(8,779)	(35,524)	(29,868)
Gain on asset dispositions, net	6,139	5,883	18,035	19,345
Asset impairments (A)	(253,422)	(15,141)	(419,870)	(61,771)
Restructuring charge (B)	—	—	—	(7,586)
Operating loss	$(287,034)	(9,400)	(508,513)	(12,955)
Foreign exchange gain (loss)	2,970	(469)	(2,302)	(3,758)
Equity in net earnings (losses) of unconsolidated companies	1,557	(1,710)	2,869	(7,070)
Interest income and other, net	1,437	609	3,605	1,754
Interest and other debt costs, net	(18,587)	(13,312)	(54,018)	(39,741)
Loss before income taxes	$(299,657)	(24,282)	(558,359)	(61,770)
Depreciation and amortization:				
Americas	$12,039	12,029	37,517	36,311
Asia/Pacific	5,266	5,803	16,586	16,503
Middle East	5,411	4,780	15,764	14,381
Africa/Europe	17,166	19,812	54,365	60,806
	39,882	42,424	124,232	128,001
Other	855	1,369	3,575	4,285

Corporate	565	1,629	1,892	4,772
	$41,302	45,422	129,699	137,058
Additions to properties and equipment:				
Americas	$18	2,064	93	44,118
Asia/Pacific	—	360	—	2,069
Middle East	273	127	587	776
Africa/Europe	190	460	649	1,827
	481	3,011	1,329	48,790
Other	—	26	—	113
Corporate (C)	2,008	8,872	21,145	103,467
	$2,489	11,909	22,474	152,370

(A) Refer to Note (15) for additional information regarding asset impairment charges.
(B) Refer to Note (14) for additional information regarding the restructuring charge.
(C) Included in Corporate are additions to properties and equipment relating to vessels currently under construction which have not yet been assigned to a non-corporate reporting segment as of the dates presented.

The following table provides a comparison of total assets at December 31, 2016 and March 31, 2016:

(In thousands)	December 31, 2016	March 31, 2016
Total assets:		
Americas	$832,628	1,101,699
Asia/Pacific	346,385	514,948
Middle East	284,767	405,420
Africa/Europe	1,965,423	1,999,543
	3,429,203	4,021,610
Other	23,120	42,191
	3,452,323	4,063,801
Investments in, at equity, and advances to unconsolidated companies	42,516	37,502
	3,494,839	4,101,303
Corporate (A) (B)	820,360	882,490
	$4,315,199	4,983,793

(A) At December 31, 2016 and March 31, 2016, $610.7 million and $651.2 million, respectively, of cash are included in Corporate.

(B) Included in Corporate are vessels currently under construction which have not yet been assigned to a non-corporate reporting segment. A vessel's construction costs are reported in Corporate until the earlier of the date the vessel is assigned to a non-corporate reporting segment or the date it is delivered. At December 31, 2016 and March 31, 2016, $94.6 million and $136.8 million, respectively, of vessel construction costs are included in Corporate.

The following table discloses the amount of revenue by segment, and in total for the worldwide fleet, along with the respective percentage of total vessel revenue for the quarters and nine-month periods ended December 31, 2016 and 2015:

Revenue by vessel class		Quarter Ended December 31,				Nine Months Ended December 31,		
(In thousands)	2016	% of Vessel Revenue	2015	% of Vessel Revenue	2016	% of Vessel Revenue	2015	% of Vessel Revenue
Americas fleet:								
Deepwater	$30,846	25%	49,792	23 %	108,503	25%	191,720	25 %
Towing-supply	11,905	9 %	22,254	11 %	41,823	10%	75,890	10 %
Other	2,826	2 %	3,917	2 %	8,984	2 %	11,735	1 %
Total	$45,577	36%	75,963	36 %	159,310	37%	279,345	36 %
Asia/Pacific fleet:								
Deepwater	$1,652	1 %	13,267	6 %	6,114	2 %	56,535	7 %
Towing-supply	3,934	3 %	5,877	3 %	13,503	3 %	22,719	3 %
Other	—	—	—	—	—	—	—	—
Total	$5,586	4 %	19,144	9 %	19,617	5 %	79,254	10 %
Middle East fleet:								
Deepwater	$6,953	6 %	5,359	3 %	19,979	5 %	17,800	2 %
Towing-supply	13,694	11%	20,897	9 %	48,344	11%	69,393	9 %
Other	—	—	—	—	—	—	—	—
Total	$20,647	17%	26,256	12 %	68,323	16%	87,193	11 %
Africa/Europe fleet:								
Deepwater	$21,748	17%	42,692	20 %	79,342	18%	165,327	22 %
Towing-supply	26,087	21%	36,084	17 %	79,938	19%	120,995	15 %
Other	5,475	5 %	12,769	6 %	20,381	5 %	43,238	6 %
Total	$53,310	43%	91,545	43 %	179,661			