TRANSMONTAIGNE INC
Form 10-Q
February 09, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2005

OR

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

Commission File Number 001-11763

TRANSMONTAIGNE INC.

Delaware	**06-1052062**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1670 Broadway
Suite 3100
Denver, Colorado 80202

(Address, including zip code, of principal executive offices)

(303) 626-8200

(Telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 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 report), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer x Non-accelerated filer o

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

As of January 31, 2006, there were 49,579,933 shares of the Registrant s Common Stock outstanding.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains certain forward-looking statements and information relating to TransMontaigne Inc., including the following:

i. certain statements, including possible or assumed future results of operations, in Management s Discussion and Analysis of Financial Condition and Results of Operations;

ii. any statements contained herein or therein regarding the prospects for our business or any of our services;

iii. any statements preceded by, followed by or that include the words may, seeks, believes, expects, anticipate intends, continues, estimates, plans, targets, predicts, attempts, is scheduled, or similar expressions; and

iv. other statements contained herein or therein regarding matters that are not historical facts.

Our business and results of operations are subject to risks and uncertainties, many of which are beyond our ability to control or predict. Because of these risks and uncertainties, actual results may differ materially from those expressed or implied by forward-looking statements, and investors are cautioned not to place undue reliance on such statements, which speak only as of the date thereof.

The following risk factors, discussed in more detail under the heading Risk Factors in our Annual Report on Form 10-K for the year ended June 30, 2005, filed on September 13, 2005, are important factors that could cause actual results to differ materially from our expectations and may adversely affect our business and results of operations, include, but are not limited to:

- the availability of adequate supplies of and demand for petroleum products in the areas in which we operate;
- the effects of competition and our ability to renew customer contracts;
- the impact of petroleum product price fluctuations on our sales margins and the effect of changes in commodity prices on our liquidity;
- the success of our risk management activities;
- volumes of refined petroleum product throughput or stored in our terminal facilities;
- TransMontaigne Partners inability to pay the minimum quarterly distribution on the subordinated units that we own;
- continued creditworthiness of, and performance by, contract counterparties;
- the tax and other effects of the exercise of TransMontaigne Partners options to purchase our fixed assets;
- operational hazards and availability and cost of insurance on our assets and operations;
- the impact of any failure of our information technology systems;
- the availability of acquisition opportunities and successful integration and future performance of acquired assets;
- the threat of terrorist attacks or war;
- the impact of current and future laws and governmental regulations;

- the failure of TransMontaigne Partners to avoid federal income taxation as a corporation or the imposition of state level taxation;

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- liability for environmental claims;
- the impact of the departure of any key officers; and
- general economic, market or business conditions.

We do not intend to update these forward-looking statements except as required by law.

Part I. Financial Information

ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The interim unaudited consolidated financial statements of TransMontaigne Inc. as of and for the three and six months ended December 31, 2005, are included herein beginning on the following page. The accompanying unaudited interim consolidated financial statements should be read in conjunction with our annual consolidated financial statements and related notes for the year ended June 30, 2005, together with our discussion and analysis of financial condition and results of operations, included in our Annual Report on Form 10-K filed on September 13, 2005.

TransMontaigne Inc. is a holding company with the following active subsidiaries during the three and six months ended December 31, 2005.

- TransMontaigne Product Services Inc. (TPSI)
- TransMontaigne Services Inc.
- TransMontaigne Transport Inc.
- Coastal Fuels Marketing, Inc.
- Coastal Tug and Barge, Inc.
- TransMontaigne Partners L.P.
- Radcliff/Economy Marine Services, Inc. (since August 1, 2005)

We do not have off-balance-sheet arrangements (other than operating leases) or special-purpose entities.

TransMontaigne Inc. and subsidiaries
Consolidated balance sheets
(In thousands)

	December 31, 2005	June 30, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,099	$ 29,721
Restricted cash held by commodity broker	1,383	10,436
Trade accounts receivable, net	365,501	381,771
Inventories discretionary volumes	222,731	274,774
Unrealized gains on derivative contracts	45,691	7,620
Income taxes recoverable	13,293	
Deferred tax assets	18,704	18,401
Prepaid expenses and other	7,053	6,767
	687,455	729,490
Property, plant and equipment, net	362,412	344,532
Product linefill and tank bottom volumes	24,701	24,325
Investment in Lion Oil Company	10,131	10,131
Deferred debt issuance costs, net	8,728	9,778
Other assets, net	42,360	23,725
	$ 1,135,787	$ 1,141,981
LIABILITIES, PREFERRED STOCK, AND COMMON STOCKHOLDERS EQUITY		
Current liabilities:		
Working capital credit facility	$ 56,100	$
Trade accounts payable	174,394	212,040
Income taxes payable		29,801
Unrealized losses on derivative contracts	21,000	47,215
Inventory due to others under exchange agreements	54,074	16,429
Excise taxes payable	82,116	79,597
Other accrued liabilities	21,421	20,791
Deferred revenue supply chain management services	3,607	3,981
	412,712	409,854
Other liabilities:		
Long-term debt	228,000	228,307
Deferred tax liabilities	50,543	46,413
Unrealized losses on derivative contracts		234
Total liabilities	691,255	684,808
Non-controlling interests in TransMontaigne Partners	82,927	81,440
Series B redeemable convertible preferred stock	20,717	49,249
Common stockholders equity:		
Common stock	484	456
Capital in excess of par value	321,834	299,681
Deferred stock-based compensation		(7,042)
Retained earnings	18,570	33,389
	340,888	326,484
	$ 1,135,787	$ 1,141,981

See accompanying notes to consolidated financial statements.

TransMontaigne Inc. and subsidiaries
Consolidated statements of operations
(In thousands, except per share amounts)

	Three months ended December 31, 2005	2004	Six months ended December 31, 2005	2004
Supply, distribution, and marketing:				
Revenues	$ 2,185,263	$ 1,811,534	$ 4,841,491	$ 3,840,785
Cost of product sold and other direct costs and expenses	(2,226,160)	(1,791,994)	(4,833,769)	(3,797,089)
Net operating margins (deficiencies)	(40,897)	19,540	7,722	43,696
Terminals, pipelines, and tugs and barges:				
Revenues	32,837	27,522	62,061	53,994
Direct operating costs and expenses	(17,943)	(15,454)	(36,638)	(29,861)
Net operating margins	14,894	12,068	25,423	24,133
Total net operating margins (deficiencies)	(26,003)	31,608	33,145	67,829
Costs and expenses:				
Selling, general and administrative expenses	(13,354)	(11,802)	(24,908)	(22,235)
Depreciation and amortization	(6,849)	(5,727)	(13,430)	(11,534)
Gain (loss) on disposition of assets, net	67		1,185	(3,599)
Total costs and expenses	(20,136)	(17,529)	(37,153)	(37,368)
Operating income (loss)	(46,139)	14,079	(4,008)	30,461
Other income (expenses):				
Dividend income			583	381
Interest income	131	62	457	101
Interest expense	(6,931)	(6,618)	(12,849)	(12,941)
Other financing costs:				
Amortization of deferred debt issuance costs	(525)	(442)	(1,050)	(1,148)
Write-off of debt issuance costs related to former bank credit facility				(3,392)
Total other expenses	(7,325)	(6,998)	(12,859)	(16,999)
Earnings (loss) before income taxes	(53,464)	7,081	(16,867)	13,462
Income tax benefit (expense)	20,316	(2,832)	6,409	(5,385)
Non-controlling interests share in earnings of TransMontaigne Partners	(2,047)		(3,854)	
Net earnings (loss)	(35,195)	4,249	(14,312)	8,077
Earnings allocable to preferred stock	(188)	(935)	(507)	(1,771)
Net earnings (loss) attributable to common stockholders	$ (35,383)	$ 3,314	$ (14,819)	$ 6,306
Earnings (loss) per share:				
Basic net earnings (loss) per common share	$ (0.73)	$ 0.08	$ (0.31)	$ 0.16
Diluted net earnings (loss) per common share	$ (0.73)	$ 0.08	$ (0.31)	$ 0.16
Weighted average common shares outstanding:				
Basic	48,334	39,739	47,638	39,616
Diluted	48,334	51,870	47,638	51,744

See accompanying notes to consolidated financial statements.

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TransMontaigne Inc. and subsidiaries
Consolidated statements of preferred stock and common stockholders equity
Year ended June 30, 2005 and six months ended December 31, 2005
(In thousands)

	Series B Preferred stock	Common stock	Capital in excess of par value	Deferred stock-based compensation	Retained earnings (accumulated deficit)	Total common stockholders equity
Balance at June 30, 2004	$ 77,719	$ 411	$ 251,775	$ (4,129)	$ (19,768)	$ 228,289
Common stock issued for options exercised			347			347
Common stock repurchased from employees for withholding taxes		(1)	(816)			(817)
Net tax effect arising from stock-based compensation			272			272
Forfeiture of restricted stock awards prior to vesting		(2)	(1,222)	1,224		
Deferred compensation related to restricted stock awards		7	4,163	(4,170)		
Amortization of deferred stock-based compensation				2,625		2,625
Warrant granted to MSCG in exchange for product supply agreements			14,600			14,600
Preferred stock dividends paid-in kind	1,087					
Preferred stock dividends					(4,207)	(4,207)
Amortization of premium on Series B Redeemable Convertible Preferred stock	(1,546)				1,546	1,546
Conversion of Series B Redeemable Convertible Preferred stock into common stock	(28,011)	41	27,970			28,011
Deferred compensation related to restricted TransMontaigne Partners common unit awards			2,592	(2,592)		
Net earnings					55,818	55,818
Balance at June 30, 2005	$ 49,249	$ 456	$ 299,681	$ (7,042)	$ 33,389	$ 326,484
Elimination of deferred stock-based compensation due to adoption of SFAS 123(R)		(16)	(7,026)	7,042		
Common stock issued for options exercised			206			206
Common stock repurchased from employees for withholding taxes		(1)	(772)			(773)
Amortization of deferred stock-based compensation		4	1,513			1,517
Preferred stock dividends					(766)	(766)
Amortization of premium on Series B redeemable convertible preferred stock	(259)				259	259
Conversion of Series B redeemable convertible preferred stock into common stock	(28,273)	41	28,232			28,273
Net loss					(14,312)	(14,312)
Balance at December 31, 2005	$ 20,717	$ 484	$ 321,834	$	$ 18,570	$ 340,888

See accompanying notes to consolidated financial statements.

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TransMontaigne Inc. and subsidiaries
Consolidated statements of cash flows
(In thousands)

	Three months ended December 31, 2005	Three months ended December 31, 2004	Six months ended December 31, 2005	Six months ended December 31, 2004
Cash flows from operating activities:				
Net earnings (loss)	$ (35,195)	$ 4,249	$ (14,312)	$ 8,077
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:				
Amortization of deferred revenue	(1,731)	(1,641)	(3,303)	(2,689)
Depreciation and amortization	6,849	5,727	13,430	11,534
Deferred tax expense		2,837		5,560
Amortization of deferred stock-based compensation	623	646	1,517	1,276
Amortization of deferred debt issuance costs	525	442	1,050	1,148
Write-off of debt issuance costs				3,392
(Gain) loss on disposition of assets, net	(67)		(1,185)	3,599
Net change in unrealized (gains) losses on long-term derivative contracts	(223)	(2,031)	(235)	540
Non-controlling interests share in earnings of TransMontaigne Partners	2,047		3,854	
Changes in operating assets and liabilities, net of effects from acquisitions:				
Trade accounts receivable, net	87,188	(33,127)	36,916	(32,090)
Inventories discretionary volumes	108,578	(101,204)	55,926	(107,886)
Prepaid expenses and other	(1,239)	(3,739)	(1,164)	(2,522)
Trade accounts payable	(52,833)	47,336	(40,616)	32,864
Income taxes payable	(21,719)		(43,093)	
Inventory due to others under exchange agreements	(5,470)	(10,850)	37,645	(10,540)
Unrealized (gains) losses on derivative contracts	(83,219)	(32,663)	(61,357)	(18,612)
Excise taxes payable and other accrued liabilities	16,740	10,936	(754)	(10,157)
Net cash provided by (used in) operating activities	20,854	(113,082)	(15,681)	(116,506)
Cash flows from investing activities:				
Acquisition of Radcliff and Oklahoma City terminals, net of cash acquired	(1,857)		(53,911)	
Acquisition of terminals, pipelines, tugs and barges	(3,948)	(329)	(3,948)	(7,947)
Additions to property, plant and equipment expansion of facilities	(2,050)	(836)	(3,925)	(1,922)
Additions to property, plant and equipment maintain existing facilities	(1,257)	(731)	(1,575)	(1,741)
(Increase) decrease in restricted cash held by commodity broker	16,316	1,725	9,280	(956)
Proceeds from disposition of assets	469		1,587	
Other	(133)		(133)	5
Net cash provided by (used in) investing activities	7,540	(171)	(52,625)	(12,561)
Cash flows from financing activities:				
Net borrowings of debt	(7,400)	107,000	55,793	129,000
Net borrowings of commodity margin loan	(10,000)	2,698		6,460
Deferred debt issuance costs		(286)		(3,368)
Common stock issued for options exercised	11		206	78
Common stock repurchased from employees for withholding taxes	(773)	(767)	(773)	(767)
Distributions paid to non-controlling interests in TransMontaigne Partners	(1,721)		(2,368)	
Preferred stock dividends paid in cash	(580)	(1,110)	(1,174)	(1,110)
Net cash provided by (used in) financing activities	(20,463)	107,535	51,684	130,293
Increase (decrease) in cash and cash equivalents	7,931	(5,718)	(16,622)	1,226
Cash and cash equivalents at beginning of period	5,168	13,102	29,721	6,158
Cash and cash equivalents at end of period	$ 13,099	$ 7,384	$ 13,099	$ 7,384
Supplemental disclosures of cash flow information:				
Cash paid for (refund of) income taxes	$ 1,403	$ (5)	$ 36,685	$ (175)
Cash paid for interest expense	$ 11,059	$ 10,810	$ 12,314	$ 13,049

See accompanying notes to consolidated financial statements.

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TransMontaigne Inc. and subsidiaries
Notes to consolidated financial statements
December 31, 2005 and June 30, 2005

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation and Use of Estimates

The accompanying unaudited consolidated financial statements in this Quarterly Report on Form 10-Q have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these statements reflect adjustments (consisting only of normal recurring entries), which are, in our opinion, necessary for a fair presentation of the financial results for the interim periods presented. Certain information and notes normally included in annual financial statements have been condensed in or omitted from these interim financial statements pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes for the year ended June 30, 2005, together with our discussion and analysis of financial condition and results of operations, included in our Annual Report on Form 10-K filed on September 13, 2005.

Our accounting and financial reporting policies conform to accounting principles and practices generally accepted in the United States of America. The accompanying unaudited consolidated financial statements include the accounts of TransMontaigne Inc., a Delaware corporation (TransMontaigne), and its controlled subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation, except for throughput fees, storage fees, pipeline transportation fees, tug and barge fees and other fees charged to our supply, distribution and marketing operations by our terminals, pipelines, and tugs and barges. The related inter-company revenues and costs offset within total net operating margins in the accompanying consolidated statements of operations.

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The following estimates, in our opinion, are subjective in nature, require the exercise of judgment, and involve complex analysis: allowance for doubtful accounts; fair value of inventories discretionary volumes (used to evaluate the financial performance of our business segments); fair value of derivative contracts; and accrued environmental obligations. Changes in these estimates and assumptions will occur as a result of the passage of time and the occurrence of future events. Actual results could differ from these estimates.

(b) Nature of Business and Basis of Presentation

TransMontaigne Inc., a Delaware corporation based in Denver, Colorado, was formed in 1995 to create an independent refined petroleum products distribution and supply company. We are a holding company that conducts operations in the United States primarily in the Gulf Coast, Florida, East Coast, and Midwest regions. We provide integrated terminal, transportation, storage, supply, distribution, and marketing services to refiners, wholesalers, distributors, marketers, and industrial and commercial end-users of refined petroleum products. Our principal activities consist of (i) terminal, pipeline, and tug and barge operations, (ii) supply, distribution, and marketing, and (iii) managing the activities of TransMontaigne Partners L.P.

On May 27, 2005, TransMontaigne Partners L.P. (TransMontaigne Partners), a consolidated subsidiary of ours, completed its initial public offering of common units. TransMontaigne Partners received net proceeds of approximately $73.0 million for the issuance and sale of 3,852,500 common units, after giving effect to the exercise of the underwriters over-allotment option, at the initial public offering price of $21.40 per common unit, and the payment of the underwriting discount, structuring fee and other offering costs of approximately $9.5 million. TransMontaigne Partners also received approximately $7.9 million for the issuance and sale of 450,000 subordinated units to an affiliate of Morgan Stanley Capital Group, Inc. in a separate private placement at a price of $17.65 per subordinated unit. We contributed seven refined products terminals located in Florida, the Razorback Pipeline, and two refined products terminals located in Mt. Vernon, Missouri and Rogers, Arkansas to TransMontaigne Partners in exchange for a 2% general partner interest, 2,872,266 subordinated units, and a distribution of $111.5 million. We also entered into an omnibus agreement and terminaling and transportation services agreement with TransMontaigne Partners. The omnibus agreement sets forth the terms on which we will provide TransMontaigne Partners with certain general and administrative services, insurance coverage and environmental and other indemnification, among other terms. We also have agreed to provide TransMontaigne Partners with certain options and rights of first refusal to purchase additional refined petroleum product terminal assets, and TransMontaigne Partners has agreed to provide us certain rights of first refusal with respect to its assets and additional terminal capacity added by TransMontaigne Partners in the future. Pursuant to the terminaling and transportation services agreement, we agreed to transport on TransMontaigne Partners Razorback Pipeline and to throughput in TransMontaigne Partners terminals a volume of refined product that will result in minimum revenues to TransMontaigne Partners of $5.0 million per calendar quarter.

(c) Accounting for Terminal, Pipeline, and Tug and Barge Activities

In connection with our terminal, pipeline, and tug and barge operations, we utilize the accrual method of accounting for revenues and expenses. We generate revenues in our terminal, pipeline, and tug and barge operations from throughput fees, storage fees, transportation fees, ship-assist fees, management fees and cost reimbursements, and fees from other ancillary services. Throughput revenues are recognized when the product is delivered to the customer; storage revenues are recognized ratably over the term of the storage contract; transportation revenues are recognized when the product has been delivered to the customer at the specified delivery location; ship-assist revenues are recognized when docking and other services are provided to marine vessels; management fees and cost reimbursements are recognized as the services are performed; and other service revenues are recognized as the services are performed.

Shipping and handling costs attributable to our terminal, pipeline, and tug and barge operations are included in direct operating costs and expenses in the accompanying consolidated statements of operations.

(d) Accounting for Supply, Distribution, and Marketing Activities

In our supply, distribution and marketing operations, we purchase refined petroleum products, schedule them for delivery to our terminals, as well as terminals owned by third parties, and then sell those products to our customers through rack spot sales, contract sales, and bulk sales. Revenues from our sales of physical inventory are recognized pursuant to the accrual method of accounting (i.e., when cash becomes due and payable to us pursuant to the terms of the sales contracts). Revenues from rack spot sales and contract sales are recognized when the product is delivered to the customer through a truck loading rack or marine fueling equipment. Revenues from bulk sales are recognized when the title to the product is transferred to the customer, which generally occurs upon confirmation of the terms of the sale.

Shipping and handling costs attributable to our supply, distribution, and marketing operations are included in cost of product sold in the accompanying consolidated statements of operations.

(e) Accounting for Supply Chain Management Services Activities

We provide supply chain management services to companies and governmental entities that desire to outsource their fuel supply function and to reduce the price volatility associated with their fuel supplies. We offer three types of supply chain management services: delivered fuel price management, retail price management, and logistical supply chain management services.

Delivered fuel price management contracts involve the sales of committed quantities of specific motor fuels delivered to our customer s proprietary fleet refueling locations at fixed prices for terms up to three years. Under retail price management contracts, customers commit for terms up to 18 months to a specific monthly quantity of product within one or more metropolitan areas and agree to a net settlement with us for the difference between a stipulated retail price index and our fixed contract price. Our logistical supply chain management arrangements permit our customers to use our proprietary web-based inventory management system for a fee, which typically is charged on a per gallon basis.

Revenue from sales made pursuant to delivered fuel price management contracts are recognized when title to the product is transferred to the customer, which generally occurs upon delivery of the product to the customer s proprietary fleet refueling location. Revenue from sales made pursuant to retail price management contracts are recognized when title to the product is transferred to the customer, which generally occurs upon lifting of the product by the customer at the retail gasoline station. Revenue from logistical supply chain management services fees is recognized on a straight-line basis over the term of the contract.

(f) Accounting for Risk Management Activities

We enter into risk management contracts, principally NYMEX futures contracts, to manage our exposure to changes in commodity prices. We evaluate our market risk exposure from an overall portfolio basis that considers changes in physical inventories discretionary volumes held for immediate sale or exchange, inventory due to others under exchange agreements, open positions in derivative contracts, and open positions in risk management contracts. We enter into risk management contracts that offset the changes in the values of our inventories discretionary volumes held for immediate sale or exchange and derivative contracts. At December 31, 2005 and June 30, 2005, our open positions in risk management contracts principally were NYMEX futures contracts (purchases and sales) and NYMEX options (calls and puts).

(g) Accounting for Derivative Contracts

Our contract sales, bulk sales, delivered fuel price management, retail price management, risk management contracts and product supply contracts qualify as derivative instruments pursuant to the requirements of Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*. All derivative contracts are required to be reported as assets and liabilities at fair value in the accompanying consolidated balance sheet in accordance with SFAS No. 133. The fair value of our derivative contracts is included in Unrealized gains or losses on derivative contracts in the accompanying consolidated balance sheets. Changes in the fair value of our derivative contracts are included in net operating margins attributable to our supply, distribution and marketing operations.

The estimated fair value of our delivered fuel price management and retail price management contracts at origination is deferred because our estimate of the fair value is not evidenced by quoted market prices or current market transactions for the contracts in their entirety. The deferred revenue is amortized into income over the respective terms of the contracts as the products are delivered to the ground fleet customers. Subsequent changes in the fair value of our delivered fuel price management and retail price management contracts are included in net operating margins attributable to our supply, distribution, and marketing operations.

(h) Presentation of Revenues

We present revenue from our rack spot sales, contract sales, certain bulk sales, and delivered fuel price management contracts on a gross basis in the accompanying consolidated statements of operations because our obligations under these arrangements are settled via transfer of title and risk of loss of the product to the customer. Revenue from our retail price management contracts and risk management contracts are presented on a net basis (i.e., product costs are required to be netted directly against gross revenues to arrive at net revenues) in the accompanying consolidated statements of operations because our obligations under these arrangements are settled on a net cash basis. The logistical supply chain management services fees do not involve the sale of inventory and, therefore, only the service fee is presented in the accompanying consolidated statements of operations.

We have presented bulk transactions that were booked out on a net basis in the consolidated statements of operations (i.e., product costs are netted directly against gross revenues to arrive at net revenues). A book out occurs when one party appears more than once for the sale and purchase of a specific grade of refined product for a specific scheduling date to transport product on a particular common carrier pipeline. In that instance, we and other pipeline shippers agree not to schedule or deliver the refined product that originates and ends with the same counterparty, but rather settle in cash the amounts due to or from each intervening counterparty, thus booking out the transaction. For the three months ended December 31, 2005 and 2004, we booked out bulk transactions of approximately $272.6 million and $700.9 million, respectively. For the six months ended December 31, 2005 and 2004, we booked out bulk transactions of approximately $902.5 million and $1,676.3 million, respectively. The booking out of a bulk transaction has no effect on our net operating margins or net earnings.

(i) Accounting for Inventories Discretionary Volumes

Our inventories discretionary volumes consist of refined petroleum products, primarily gasolines, distillates, and No. 6 oil. Inventories discretionary volumes are presented in the accompanying consolidated balance sheets as current assets and are carried at the lower of cost (first-in, first-out) or market (replacement cost). Inventories discretionary volumes are as follows (in thousands):

	December 31, 2005		June 30, 2005	
	Amount	**Bbls**	**Amount**	**Bbls**
Volumes held for immediate sale or exchange	$ 93,060	1,507	$ 153,123	2,415
Volumes held for base operations	129,671	2,011	121,651	2,011
Inventories discretionary volumes	$ 222,731	3,518	$ 274,774	4,426

At December 31, 2005 and June 30, 2005, the market value of our volumes held for immediate sale or exchange exceeded their cost basis by approximately $4.3 million and $2.1 million, respectively. At December 31, 2005 and June 30, 2005, the market value of our volumes held for base operations exceeded their cost basis by approximately $9.3 million and $0.2 million, respectively.

During the year ended June 30, 2005, we decreased our volumes held for base operations by approximately 2.0 million barrels as a result of our product supply agreement with Morgan Stanley Capital Group, Inc.

(j) Inventory Due to Others Under Exchange Agreements

We enter into exchange agreements generally with major oil companies. Exchange agreements generally are fixed-term agreements that involve our receipt of a specified volume of product at one location in exchange for delivery by us of product at a different location. At December 31, 2005 and June 30, 2005, current liabilities include inventory due to others under exchange agreements of approximately 768,000 barrels and 296,000 barrels, respectively, with a fair value of approximately

$54.1 million and $16.4 million, respectively. The amount recorded represents the fair value of inventory due to others under exchange agreements at the respective balance sheet date.

(k) Accounting for Product Linefill and Tank Bottom Volumes

Our product linefill and tank bottom volumes are required to be held for operating balances in the conduct of our overall operating activities. We do not intend to sell or exchange these inventories in the ordinary course of business and, therefore, we generally do not manage the commodity price risks associated with these volumes.

At December 31, 2005 and June 30, 2005, our product linefill and tank bottom volumes are presented in the accompanying consolidated balance sheets as non-current assets and are carried at the lower of cost (weighted average) or market (replacement cost). The replacement cost of our product linefill and tank bottom volumes is based on the nearest quoted wholesale market price. At December 31, 2005 and June 30, 2005, we had approximately 932,000 barrels and 925,000 barrels, respectively, of product reflecting tank bottoms and linefill in our propriety terminal connections with an adjusted cost basis of approximately $24.7 million and $24.3 million, respectively. At December 31, 2005 and June 30, 2005, the market value of our product linefill and tank bottom volumes exceeded their cost basis by approximately $42.8 million and $34.8 million, respectively.

(l) Restricted Cash Held by Commodity Broker

Restricted cash represents cash deposits held by our commodity broker to cover initial margin requirements related to open NYMEX futures contracts.

(m) Deferred Debt Issuance Costs

Deferred debt issuance costs are as follows (in thousands):

	June 30, 2005	Additions	Amortization	December 31, 2005
Senior secured working capital credit facility	$ 3,422	$	$ (404)	$ 3,018
Senior subordinated notes	5,455		(554)	4,901
TransMontaigne Partners credit facility	901		(92)	809
	$ 9,778	$	$ (1,050)	$ 8,728

(n) Environmental Obligations

At December 31, 2005 and June 30, 2005, we had accrued environmental obligations of approximately $6.3 million and $6.1 million, respectively, representing our best estimate of our remediation obligations (see Note 9 of Notes to consolidated financial statements). During the six months ended December 31, 2005, we made payments of approximately $1.5 million towards our environmental remediation obligations. During the six months ended December 31, 2005, we charged to income approximately $0.5 million to increase our estimate of our future environmental remediation obligations. During the six months ended December 31, 2005, we assumed approximately $1.2 million of environmental remediation obligations in connection with our acquisition of the Radcliff and Oklahoma City terminals (see Note 2 of Notes to consolidated financial statements). During the six months ended December 31, 2005 and 2004, we received insurance recoveries of approximately $150,000 and $1.4 million, respectively, which have been recognized as a reduction of direct operating costs and expenses in the accompanying consolidated statements of operations.

(o) Equity-Based Compensation Plans

For periods ending prior to July 1, 2005, we accounted for our employee stock option plans and restricted stock awards using the intrinsic value method pursuant to APB Opinion No. 25, *Accounting for Stock Issued to Employees*. If compensation cost for our stock-based compensation plans had been determined based on the fair value at the grant dates for awards under those plans pursuant to Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, our net earnings and earnings per common share would have been reduced to the pro forma amounts indicated below (in thousands, except for per share amounts):

	Three months ended December 31, 2004	Six months ended December 31, 2004
Net earnings attributable to common stockholders:		
As reported	$ 3,314	$ 6,306
Amortization of the fair value of stock options granted to employees	(25)	(51)
Pro forma	$ 3,289	$ 6,255
Earnings per share:		
As reported		
Basic	$ 0.08	$ 0.16
Diluted	$ 0.08	$ 0.16
Pro forma		
Basic	$ 0.08	$ 0.16
Diluted	$ 0.08	$ 0.16

There were no options granted during the six months ended December 31, 2005 and the years ended June 30, 2005, 2004 and 2003. The weighted average fair value at grant dates for options granted during the year ended June 30, 2002 was $3.08. The primary assumptions used to estimate the fair value of options granted on the date of grant using the Black-Scholes option-pricing model during the year ended June 30, 2002 were as follows: no dividend yield, expected volatility of 79%, risk-free rate of 4.49%, and expected life of 4 years.

Effective July 1, 2005, we adopted the provisions of Statement of Financial Accounting Standards No. 123 (R), *Share-Based Payment*. This Statement requires us to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. We are required to estimate the number of equity instruments that are expected to vest in measuring the total compensation cost to be recognized over the related service period.

For awards granted prior to July 1, 2005, we are required to measure compensation cost for the portion of outstanding awards for which the requisite service has not yet been rendered (i.e., the unvested portion of the award as of July 1, 2005). The compensation cost for these awards is based on their relative grant-date fair values.

For awards granted on or after July 1, 2005, compensation cost will be recognized over the service period on a straight-line basis. For awards granted before July 1, 2005, compensation cost is recognized over the related service period on an accelerated basis pursuant to FASB Interpretation No. 28.

(p) Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is calculated based on the weighted average number of common shares outstanding during the period, excluding restricted common stock subject to continuing vesting requirements. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the period and, when dilutive, potential common shares from the exercise of stock options and warrants to purchase common stock and restricted common stock subject to continuing vesting requirements pursuant to the treasury stock method. Diluted earnings (loss) per share also gives effect, when dilutive, to the conversion of the preferred stock pursuant to the if-converted method.

In the event dividends on a per share equivalent basis are declared on our common stock in excess of the dividends declared on the Series B redeemable convertible preferred stock, the Series B redeemable convertible preferred stock will participate as if the Series B redeemable convertible preferred stock was converted into common stock. Accordingly, the Series B redeemable convertible preferred stock has been determined to be a participating security for purposes of computing earnings per share.

(q) Reclassifications

Certain amounts in the prior period have been reclassified to conform to the current period s presentation. Net earnings (loss) and stockholders equity have not been affected by these reclassifications.

(2) ACQUISITIONS

On August 1, 2005, we acquired all the outstanding shares of capital stock of Radcliff/Economy Marine Services, Inc. (Radcliff) for a purchase price of approximately $52.1 million, net of cash acquired of approximately $2.1 million. The purchase price is composed of approximately $41.8 million paid in cash plus the assumption of Radcliff s existing outstanding debt of approximately $12.4 million. The acquisition includes three petroleum products terminals, two in Mobile, Alabama and one in Pensacola, Florida, with combined aggregate storage capacity of approximately 350,000 barrels, two tugboats, 6 barges, and 12 tractors and associated trailers. The consolidated financial statements include the results of operations of the Radcliff facilities from the closing date of the transaction (August 1, 2005). The purchase price was allocated to the assets and liabilities acquired based upon the estimated fair value of the assets and liabilities as of the acquisition date.

Effective October 31, 2005, TransMontaigne Partners purchased a refined product terminal with approximately 150,000 barrels of aggregate storage capacity in Oklahoma City, Oklahoma from Magellan Pipeline Company, L.P. for approximately $1.9 million. The Oklahoma City terminal currently provides integrated terminaling services to a major oil company. The accompanying consolidated financial statements include the results of operations of the Oklahoma City terminal from the closing date of the acquisition (October 31, 2005).

The purchase price was allocated as follows (in thousands):

	Radcliff	Oklahoma City
Restricted cash	$ 228	$
Trade accounts receivable, net of allowance for doubtful accounts of $47	20,097	
Discretionary inventory, product linefill and tank bottom volumes	4,259	
Prepaid expenses and other	293	
Property, plant and equipment	16,779	2,493
Deferred tax assets	303	
Goodwill	19,384	
Trade accounts payable	(3,304)	
Accrued environmental obligations	(605)	(625)
Deferred tax liabilities	(4,130)	
Due to former Radcliff stockholders	(1,000)	
Other assumed liabilities	(250)	(11)
Cash paid, net of cash acquired	$ 52,054	$ 1,857

The unaudited pro forma combined results of operations as if the acquisition of the Radcliff and Oklahoma City terminals had occurred on July 1, 2004 are as follows (in thousands, except per share data):

	Three months ended December 31, 2004
Revenue	$ 1,890,261
Net earnings	$ 5,434
Basic net earnings per common share	$ 0.11

	Six months ended December 31, 2005	Six months ended December 31, 2004
Revenue	$ 4,925,058	$ 3,989,904
Net earnings (loss)	$ (14,347)	$ 10,660
Basic net earnings (loss) per common share	$ (0.31)	$ 0.21

(3) DISPOSITION OF ASSETS

Gain on disposition of assets, net for the six months ended December 31, 2005, reflects the final insurance recovery of approximately $1.1 million on the involuntary conversion of our historical Pensacola terminal facilities and approximately $0.1 million on the sale of the Wisconsin terminal. Loss on disposition of assets, net for the six months ended December 31, 2004, consists principally of an approximately $3.6 million loss on the involuntary conversion of our historical Pensacola terminal facilities due to the damage caused by Hurricane Ivan.

(4) CONCENTRATION OF CREDIT RISK AND TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable, net consists of the following (in thousands):

	December 31, 2005	June 30, 2005
Trade accounts receivable	$ 366,367	$ 382,324
Less allowance for doubtful accounts	(866)	(553)
	$ 365,501	$ 381,771

(5) UNREALIZED GAINS AND LOSSES ON DERIVATIVE CONTRACTS

Unrealized gains and losses on derivative contracts are as follows (in thousands):

	December 31, 2005	June 30, 2005
Unrealized gains current	$ 45,691	$ 7,620
Unrealized gains non-current		
Unrealized gains asset	45,691	7,620
Unrealized losses current	(21,000)	(47,215)
Unrealized losses long-term		(234)
Unrealized losses liability	(21,000)	(47,449)
Net asset (liability)	$ 24,691	$ (39,829)

At December 31, 2005 and June 30, 2005, there were no unrealized gains or losses on NYMEX futures contracts because NYMEX futures contracts require daily settlement for changes in commodity prices on open futures contracts.

At December 31, 2005, included in unrealized gains current is an unrealized gain of approximately $7.4 million related to certain short positions taken in the NYMEX options market. At June 30, 2005, included in unrealized losses current is an unrealized loss of approximately $3.6 million related to short positions taken in the NYMEX options market.

(6) PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets are as follows (in thousands):

	December 31, 2005	June 30, 2005
Prepaid insurance	$ 3,537	$ 2,246
Amounts due from insurance carrier		954
Asset held for sale		1,200
Prepaid business taxes	79	552
Additive detergent	946	985
Prepaid software maintenance fees	78	105
Amounts due from Rio Vista/Penn Octane	1,300	
Other	1,113	725
	$ 7,053	$ 6,767

Amounts due from insurance carrier represents our remaining estimated proceeds to be received on insurance claims related to the involuntary conversion of our historical Pensacola terminal facilities due to the damage caused by Hurricane Ivan. During the three months ended December 31, 2005, we collected the final insurance recovery.

During the six months ended December 31, 2005, we decided to retain the land at our historical Pensacola terminal facilities to augment the Pensacola terminal facilities that we acquired from Radcliff (see Note 2 of Notes to consolidated financial statements). In prior periods, asset held for sale was carried at the lower of cost or fair value less costs of disposition and consisted of the land held for sale at our historical Pensacola terminal facilities.

In connection with our due diligence review of certain assets and operations of Rio Vista and Penn Octane, we advanced approximately $1.3 million. The advance is due and payable on demand and is secured by certain terminaling assets in Brownsville, Texas.

(7) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net is as follows (in thousands):

	December 31, 2005	June 30, 2005
Land	$ 43,173	$ 38,710
Terminals, pipelines and equipment	392,293	374,213
Technology and equipment	14,614	14,751
Tugs and barges	33,777	27,277
Furniture, fixtures and equipment	6,806	6,784
Construction in progress	2,499	1,747
	493,162	463,482
Less accumulated depreciation	(130,750)	(118,950)
	$ 362,412	$ 344,532

(8) OTHER ASSETS

Other assets are as follows (in thousands):

	December 31, 2005	June 30, 2005
Prepaid transportation	$ 737	$ 326
Goodwill	26,237	6,853
Product supply agreement, net of accumulated amortization of $2,086 and $1,043, respectively	12,514	13,557
Acquired intangible, net of accumulated amortization of $1,417 and $1,167, respectively	1,083	1,333
Commodity trading membership	1,500	1,500
Deposits and other assets	289	156
	$ 42,360	$ 23,725

Prepaid transportation relates to our contractual transportation and deficiency agreement with an interstate product pipeline (see Note 16 of Notes to consolidated financial statements).

Goodwill represents the excess of the aggregate purchase price over the fair value of the identifiable assets acquired. Goodwill is not amortized, but instead tested for impairment on an annual basis during the three months ended June 30. We recognized approximately $6.9 million of goodwill related to our November 1997 acquisition of the ITAPCO terminals and approximately $19.4 million of goodwill related to our August 2005 acquisition of Radcliff.

On November 23, 2004, we granted to MSCG warrants to acquire 5.5 million shares of our common stock at an exercise price of $6.60 per share as partial consideration for agreeing to enter into a 7-year product supply agreement (see Note 15 of Notes to consolidated financial statements). The value ascribed to the product supply agreement is being amortized to income over the 7-year term of the agreement, commencing in January 2005.

Acquired intangible represents the right to use the Coastal Fuels trade name for a period of five years commencing February 28, 2003. The cost of the acquired intangible is being amortized on a straight-line basis over five years.

Commodity trading membership represents the purchase price we paid to acquire two seats on the NYMEX.

(9) OTHER ACCRUED LIABILITIES

Other accrued liabilities are as follows (in thousands):

	December 31, 2005	June 30, 2005
Accrued environmental obligations	$ 6,308	$ 6,148
Accrued lease abandonment	1,441	1,798
Accrued indemnities NORCO	1,000	1,000
Accrued transportation and deficiency obligations	254	640
Accrued property taxes	645	2,245
Assumed litigation costs Coastal Fuels assets	325	325
Dividend payable preferred stock	301	708
Accrued interest payable	2,017	1,521
Customer advances and deposits	541	1,773
Accrued compensation and benefits	4,900	2,894
Due to former owners of Radcliff	1,000	
Accrued expenses and other	2,689	1,739
	$ 21,421	$ 20,791

Accrued Lease Abandonment. We vacated certain office space in Denver, Colorado during June 2003 and we vacated certain excess space in Atlanta, Georgia during October 2002. In connection with our acquisition of the Coastal Fuels assets during February 2003, we vacated a sales office in Coral Gables, Florida. The accrual for the abandonment of the office leases represents the excess of the remaining lease payments subsequent to vacancy of the space by us over the estimated sublease rentals to be received based on current market conditions. At December 31, 2005 and June 30, 2005, the accrued liability for lease abandonment costs was approximately $1.4 million and $1.8 million, respectively.

	Accrued liability at June 30, 2005 (in thousands)	Change in estimate charged to expense	Amounts paid during the period	Accrued liability at December 31, 2005
Accrued lease abandonment	$ 1,798	$	$ (357)	$ 1,441

We expect to pay the accrued liability of approximately $1.4 million, net of estimated sublease rentals, as follows (in thousands):

Years ending June 30:	Lease payments	Estimated sublease rentals	Accrued liability
2006 (Remainder of the year)	$ 530	$ (181)	$ 349
2007	995	(346)	649
2008	306	(159)	147
2009	313	(165)	148
2010	318	(170)	148
	$ 2,462	$ (1,021)	$ 1,441

(10) DEFERRED REVENUE SUPPLY CHAIN MANAGEMENT SERVICES

We enter into price management contracts with ground fleet customers and jobbers that permit them to fix the price of their fuel purchases. During the six months ended December 31, 2005, we originated retail and delivered fuel price management contracts with an estimated fair value of approximately

$2.9 million, representing the excess of the amounts we expect to receive from the ground fleet customers and jobbers over our estimate of the forward price curve of the underlying commodity adjusted for location differentials. We have deferred the estimated fair value of these contracts at origination because our estimate of the fair value is not evidenced by quoted market prices or current market transactions for the contracts in their entirety. We amortize the deferred revenue into net revenues attributable to our supply, distribution, and marketing operations over the respective terms of the contracts as the products are delivered. During the six months ended December 31, 2005, we recognized approximately $3.3 million in revenues attributable to our supply, distribution and marketing operations from the amortization of the deferred revenue from these contracts.

	Deferred revenue at June 30, 2005 (in thousands)	**Additions during the period**	**Amounts amortized during the period**	**Deferred revenue at December 31, 2005**
Retail price management contracts	$ 968	$ 2,510	$ (968)	$ 2,510
Delivered fuel price management contracts	3,013	419	(2,335)	1,097
	$ 3,981	$ 2,929	$ (3,303)	$ 3,607

(11) DEBT

Debt is as follows (in thousands):

	December 31, 2005	**June 30, 2005**
Commodity margin loan	$	$
Senior secured working capital credit facility	56,100	
Senior subordinated notes	200,000	200,000
	256,100	200,000
TransMontaigne Partners credit facility	28,000	28,307
	284,100	228,307
Less debt classified as current	(56,100)	
Long-term debt	$ 228,000	$ 228,307

Commodity Margin Loan. We currently have a commodity margin loan agreement with our commodity broker that allows us to borrow up to $10 million to fund certain initial and variation margin requirements in commodities accounts maintained by us with our commodity broker. The entire unpaid principal amount of the loan, together with accrued interest, is due and payable on demand. Outstanding loans bear interest at the average 90-day Treasury Bill rate plus 1.50% (5.6% at December 31, 2005).

Senior Secured Working Capital Credit Facility. The senior secured working capital credit facility provides for a maximum borrowing line of credit equal to the lesser of (i) $400 million and (ii) the borrowing base ($404 million at December 31, 2005), which is a function, among other things, of our cash, accounts receivable, inventory, exchanges, margin deposits and certain reserve adjustments as defined in the facility. Outstanding letters of credit ($125 million at December 31, 2005) are counted against the maximum borrowing capacity available at any time. Borrowings under the senior secured working capital credit facility bear interest (at our option) based on a base rate plus an applicable margin, or LIBOR plus an applicable margin; the applicable margins are a function of the average excess borrowing base availability (as defined therein). Interest on loans under the senior secured working capital credit facility is due and payable periodically, based on the applicable interest rate and related interest period, generally each one, two or three months. The weighted average interest rate on borrowings under the senior secured working capital credit facility was 5.6% during the six months ended December 31, 2005. In addition, we

pay a commitment fee ranging from 0.25% to 0.50% per annum on the total amount of the unused commitments. Borrowings under the senior secured working capital credit facility are secured by, among other things, our cash, accounts receivable, inventories, certain terminal facilities with an orderly liquidation value of not less than $100 million, and certain other current assets. The only financial covenant contained in the senior secured working capital credit facility is a minimum fixed charge coverage ratio test that is computed on a quarterly basis and it is applicable whenever the average availability falls below $50 million for the last month of any quarter (average availability was $198 million for the month ended December 31, 2005). In that event, we must satisfy a minimum fixed charge coverage ratio requirement of 110%. The principal balance of loans and any accrued and unpaid interest is due and payable in full on the maturity date, September 13, 2009.

TransMontaigne Partners Credit Facility. On May 9, 2005, TransMontaigne Partners entered into a $75 million senior secured credit facility. The credit facility provides for a maximum borrowing line of credit equal to the lesser of (i) $75 million and (ii) four times Consolidated EBITDA of TransMontaigne Partners (as defined; $78.4 million at December 31, 2005). Borrowings under the credit facility bear interest (at TransMontaigne Partners option) based on a base rate plus an applicable margin, or LIBOR plus an applicable margin; the applicable margins are a function of the total leverage ratio (as defined). Interest on loans under the credit facility is due and payable periodically, based on the applicable interest rate and related interest period, generally either one, two or three months. The weighted average interest rate on borrowings under the TransMontaigne Partners credit facility was 5.8% during the six months ended December 31, 2005. In addition, TransMontaigne Partners pays a commitment fee ranging from 0.375% to 0.50% per annum on the total amount of the unused commitments. Borrowings under the TransMontaigne Partners credit facility are secured by a lien on TransMontaigne Partners assets, including cash, accounts receivable, inventory, general intangibles, investment property, contract rights and real property, except for TransMontaigne Partners real property located in Florida. The terms of the credit facility include covenants that restrict TransMontaigne Partners ability to make capital expenditures and cash distributions. The primary financial covenants contained in the TransMontaigne Partners credit facility are a total leverage ratio test (not to exceed four times) and an interest coverage ratio test (not to be less than three times). The principal balance of loans and any accrued and unpaid interest are due and payable in full on the maturity date, May 9, 2010.

Senior Subordinated Notes. On May 30, 2003, we consummated the sale and issuance of $200 million aggregate principal amount of 9 1/8% Senior Subordinated Notes due 2010 and received proceeds of $194.5 million (net of underwriters discounts of $5.5 million). The Senior Subordinated Notes mature on June 1, 2010 and interest is payable semi-annually in arrears on each June 1 and December 1 commencing on December 1, 2003. The Senior Subordinated Notes are unsecured and subordinated to all of our existing and future senior debt. Upon certain change of control events, each holder of the Senior Subordinated Notes may require us to repurchase all or a portion of its notes at a purchase price equal to 101% of the principal amount thereof, plus accrued interest. The indenture governing the Senior Subordinated Notes contains covenants that, among other things, limit our ability to incur additional indebtedness, pay dividends on, redeem or repurchase our common stock, make investments, make certain dispositions of assets, engage in transactions with affiliates, create certain liens, and consolidate, merge, or transfer all or substantially all of our assets. The Senior Subordinated Notes are fully and unconditionally guaranteed on a joint and several basis by our subsidiaries other than (1) minor subsidiaries that are inactive and have no assets or operations and (2) since May 27, 2005, TransMontaigne Partners L.P. and its general partner and the wholly-owned subsidiaries of TransMontaigne Partners L.P.

We are a holding company for our subsidiaries, with no independent assets or operations. Accordingly, we are dependent upon the distribution of the earnings of our subsidiaries, whether in the form of dividends, advances or payments on account of inter-company obligations, to service our debt obligations. There are no restrictions on our ability to obtain funds from our subsidiaries other than

TransMontaigne Partners L.P. TransMontaigne Partners L.P. is not a party to the indenture governing the Senior Subordinated Notes and, therefore, TransMontaigne Partners L.P. and its subsidiaries are not guarantors of the Senior Subordinated Notes.

Summarized consolidating financial information for TransMontaigne Inc. and the guarantor subsidiaries and TransMontaigne Partners and the non-guarantor subsidiaries as of and for the three months ended December 31, 2005 is as follows (in thousands):

	TransMontaigne Inc. and guarantor subsidiaries	TransMontaigne Partners and non-guarantor subsidiaries	Eliminations	Consolidated
Assets				
Current assets	$ 685,497	$ 2,422	$ (464)	$ 687,455
Property, plant and equipment, net	245,634	116,778		362,412
Other assets	91,480	1,901	(7,461)	85,920
	$ 1,022,611	$ 121,101	$ (7,925)	$ 1,135,787
Liabilities and Equity				
Current liabilities	$ 410,463	$ 2,713	$ (464)	$ 412,712
Long-term debt	200,000	28,000		228,000
Other liabilities	50,543			50,543
Non-controlling interests			82,927	82,927
Preferred stock	20,717			20,717
Partners equity		90,388	(90,388)	
Common stockholders equity	340,888			340,888
	$ 1,022,611	$ 121,101	$ (7,925)	$ 1,135,787
Statement of Operations				
Revenues	$ 2,206,998	$ 11,102	$	$ 2,218,100
Cost of product sold and direct operating costs and expenses	(2,240,169)	(3,934)		(2,244,103)
Costs and expenses	(17,057)	(3,079)		(20,136)
Other income (expenses)	(5,283)	(548)	(1,494)	(7,325)
Income tax benefit	20,316			20,316
Non-controlling interests share in earnings			(2,047)	(2,047)
Net earnings (loss)	$ (35,195)	$ 3,541	$ (3,541)	$ (35,195)
Statement of Cash Flows				
Net cash provided by operating activities	$ 12,528	$ 8,326	$	$ 20,854
Net cash provided by (used in) investing activities	10,015	(2,475)		7,540
Net cash (used in) financing activities	(14,535)	(5,928)		(20,463)
Increase (decrease) in cash and cash equivalents	8,008	(77)		7,931
Cash at beginning of period	4,393	775		5,168
Cash at end of period	$ 12,401	$ 698	$	$ 13,099

Summarized consolidating financial information for TransMontaigne Inc. and the guarantor subsidiaries and TransMontaigne Partners and the non-guarantor subsidiaries