# Form 5500

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

## Annual Return/Report of Employee Benefit Plan

This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).

▶ **Complete all entries in accordance with the instructions to the Form 5500.**

OMB Nos. 1210-0110
1210-0089

**2011**

**This Form is Open to Public Inspection**

## Part I Annual Report Identification Information

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

**A** This return/report is for:
- [ ] a multiemployer plan;
- [ ] a multiple-employer plan; or
- [X] a single-employer plan;
- [ ] a DFE (specify) ____

**B** This return/report is:
- [ ] the first return/report;
- [ ] the final return/report;
- [ ] an amended return/report;
- [ ] a short plan year return/report (less than 12 months).

**C** If the plan is a collectively-bargained plan, check here. . . . . ▶ [ ]

**D** Check box if filing under:
- [X] Form 5558;
- [ ] automatic extension;
- [ ] the DFVC program;
- [ ] special extension (enter description)

## Part II Basic Plan Information—enter all requested information

**1a** Name of plan
BLUEWATER CONSTRUCTORS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**1b** Three-digit plan number (PN) ▶ 001

**1c** Effective date of plan 01/01/1997

**2a** Plan sponsor's name and address, including room or suite number (Employer, if for single-employer plan)

BLUEWATER CONSTRUCTORS, INC.

5337 DOW ROAD
HOUSTON, TX 77040-6101

**2b** Employer Identification Number (EIN) 74-1907870

**2c** Sponsor's telephone number 713-462-8525

**2d** Business code (see instructions) 238900

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

| | | | |
|---|---|---|---|
| **SIGN HERE** | Filed with authorized/valid electronic signature. | 10/15/2012 | ROBERT D. CARNETT |
| | **Signature of plan administrator** | Date | Enter name of individual signing as plan administrator |
| **SIGN HERE** | | | |
| | **Signature of employer/plan sponsor** | Date | Enter name of individual signing as employer or plan sponsor |
| **SIGN HERE** | | | |
| | **Signature of DFE** | Date | Enter name of individual signing as DFE |

**3a** Plan administrator's name and address (if same as plan sponsor, enter "Same")
BLUEWATER CONSTRUCTORS, INC.

5337 DOW ROAD
HOUSTON, TX 77040-6101

**3b** Administrator's EIN
74-1907870

**3c** Administrator's telephone number
713-462-8525

**4** If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report:

**a** Sponsor's name

**4b** EIN

**4c** PN

| | | | |
|---|---|---|---|
| **5** | Total number of participants at the beginning of the plan year | **5** | 212 |
| **6** | Number of participants as of the end of the plan year (welfare plans complete only lines **6a, 6b, 6c,** and **6d**). | | |
| **a** | Active participants | **6a** | 110 |
| **b** | Retired or separated participants receiving benefits | **6b** | 0 |
| **c** | Other retired or separated participants entitled to future benefits | **6c** | 137 |
| **d** | Subtotal. Add lines **6a**, **6b**, and **6c** | **6d** | 247 |
| **e** | Deceased participants whose beneficiaries are receiving or are entitled to receive benefits | **6e** | 0 |
| **f** | Total. Add lines **6d** and **6e** | **6f** | 247 |
| **g** | Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) | **6g** | 247 |
| **h** | Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested | **6h** | 54 |
| **7** | Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) | **7** | |

**8a** If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristic Codes in the instructions:
2P 2E

**b** If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristic Codes in the instructions:

**9a** Plan funding arrangement (check all that apply)

| | | |
|---|---|---|
| **(1)** | | Insurance |
| **(2)** | | Code section 412(e)(3) insurance contracts |
| **(3)** | X | Trust |
| **(4)** | | General assets of the sponsor |

**9b** Plan benefit arrangement (check all that apply)

| | | |
|---|---|---|
| **(1)** | | Insurance |
| **(2)** | | Code section 412(e)(3) insurance contracts |
| **(3)** | X | Trust |
| **(4)** | | General assets of the sponsor |

**10** Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)

**a Pension Schedules**

| | | |
|---|---|---|
| **(1)** | X | **R** (Retirement Plan Information) |
| **(2)** | | **MB** (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary |
| **(3)** | | **SB** (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary |

**b General Schedules**

| | | | |
|---|---|---|---|
| **(1)** | X | | **H** (Financial Information) |
| **(2)** | | | **I** (Financial Information – Small Plan) |
| **(3)** | | 0 | **A** (Insurance Information) |
| **(4)** | X | | **C** (Service Provider Information) |
| **(5)** | | | **D** (DFE/Participating Plan Information) |
| **(6)** | | | **G** (Financial Transaction Schedules) |

| SCHEDULE C (Form 5500) | Service Provider Information | OMB No. 1210-0110 |
|---|---|---|
| Department of the Treasury<br>Internal Revenue Service<br>Department of Labor<br>Employee Benefits Security Administration<br>Pension Benefit Guaranty Corporation | This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA).<br>▶ **File as an attachment to Form 5500.** | **2011**<br>**This Form is Open to Public Inspection.** |

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

**A** Name of plan
BLUEWATER CONSTRUCTORS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**B** Three-digit plan number (PN) ▶ 001

**C** Plan sponsor's name as shown on line 2a of Form 5500
BLUEWATER CONSTRUCTORS, INC.

**D** Employer Identification Number (EIN)
74-1907870

## Part I Service Provider Information (see instructions)

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

### 1 Information on Persons Receiving Only Eligible Indirect Compensation

**a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions).. . . . . ☐ Yes ☒ No

**b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

**(b)** Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

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**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

CHAMBERLAIN, HRDLICKA, WHITE,WILLIA

1200 SMITH STREET
HOUSTON, TX 77002-4496

74-1541761

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| 29 | NONE | 23235 | Yes [ ] No [X] | Yes [ ] No [ ] | | Yes [ ] No [ ] |

**(a)** Enter name and EIN or address (see instructions)

MELTON & MELTON, LLP

6002 ROGERDALE, SUITE 200
HOUSTON, TX 77072

74-1550819

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| 10 | NONE | 12078 | Yes [ ] No [X] | Yes [ ] No [ ] | | Yes [ ] No [ ] |

**(a)** Enter name and EIN or address (see instructions)

CHARLES SCHWAB

100 POST STREET
SAN FRANCISCO, CA 94108

94-1737782

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| 33 51 | NONE | 9876 | Yes [ ] No [X] | Yes [ ] No [ ] | | Yes [ ] No [ ] |

**2. Information on Other Service Providers Receiving Direct or Indirect Compensation.** Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, $5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

**(a)** Enter name and EIN or address (see instructions)

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| | | | Yes ☐ No ☐ | Yes ☐ No ☐ | | Yes ☐ No ☐ |

**(a)** Enter name and EIN or address (see instructions)

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| | | | Yes ☐ No ☐ | Yes ☐ No ☐ | | Yes ☐ No ☐ |

**(a)** Enter name and EIN or address (see instructions)

| (b) Service Code(s) | (c) Relationship to employer, employee organization, or person known to be a party-in-interest | (d) Enter direct compensation paid by the plan. If none, enter -0-. | (e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor) | (f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures? | (g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-. | (h) Did the service provider give you a formula instead of an amount or estimated amount? |
|---|---|---|---|---|---|---|
| | | | Yes ☐ No ☐ | Yes ☐ No ☐ | | Yes ☐ No ☐ |

## Part I Service Provider Information (continued)

**3** If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received $1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| | | |
| **(d)** Enter name and EIN (address) of source of indirect compensation | **(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. | |
| | | |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| | | |
| **(d)** Enter name and EIN (address) of source of indirect compensation | **(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. | |
| | | |

| **(a)** Enter service provider name as it appears on line 2 | **(b)** Service Codes (see instructions) | **(c)** Enter amount of indirect compensation |
|---|---|---|
| | | |
| **(d)** Enter name and EIN (address) of source of indirect compensation | **(e)** Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation. | |
| | | |

## Part II Service Providers Who Fail or Refuse to Provide Information

**4** Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

| **(a)** Enter name and EIN or address of service provider (see instructions) | **(b)** Nature of Service Code(s) | **(c)** Describe the information that the service provider failed or refused to provide |
|---|---|---|
| | | |

## Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)

(complete as many entries as needed)

| | | |
|---|---|---|
| **a** | Name: | **b** EIN: |
| **c** | Position: | |
| **d** | Address: | **e** Telephone: |

Explanation:

| | | |
|---|---|---|
| **a** | Name: | **b** EIN: |
| **c** | Position: | |
| **d** | Address: | **e** Telephone: |

Explanation:

| | | |
|---|---|---|
| **a** | Name: | **b** EIN: |
| **c** | Position: | |
| **d** | Address: | **e** Telephone: |

Explanation:

| | | |
|---|---|---|
| **a** | Name: | **b** EIN: |
| **c** | Position: | |
| **d** | Address: | **e** Telephone: |

Explanation:

| | | |
|---|---|---|
| **a** | Name: | **b** EIN: |
| **c** | Position: | |
| **d** | Address: | **e** Telephone: |

Explanation:

# SCHEDULE H (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

# Financial Information

This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

**2011**

**This Form is Open to Public Inspection**

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

**A** Name of plan
BLUEWATER CONSTRUCTORS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**B** Three-digit plan number (PN) ▶ 001

**C** Plan sponsor's name as shown on line 2a of Form 5500
BLUEWATER CONSTRUCTORS, INC.

**D** Employer Identification Number (EIN)
74-1907870

## Part I Asset and Liability Statement

**1** Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

| Assets | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|
| **a** Total noninterest-bearing cash | 1a | 439960 | 373790 |
| **b** Receivables (less allowance for doubtful accounts): | | | |
| **(1)** Employer contributions | 1b(1) | | |
| **(2)** Participant contributions | 1b(2) | | |
| **(3)** Other | 1b(3) | | 1368171 |
| **c** General investments: | | | |
| **(1)** Interest-bearing cash (include money market accounts & certificates of deposit) | 1c(1) | 2207279 | 3738360 |
| **(2)** U.S. Government securities | 1c(2) | | |
| **(3)** Corporate debt instruments (other than employer securities): | | | |
| **(A)** Preferred | 1c(3)(A) | | |
| **(B)** All other | 1c(3)(B) | | |
| **(4)** Corporate stocks (other than employer securities): | | | |
| **(A)** Preferred | 1c(4)(A) | | |
| **(B)** Common | 1c(4)(B) | | |
| **(5)** Partnership/joint venture interests | 1c(5) | 380124 | 367672 |
| **(6)** Real estate (other than employer real property) | 1c(6) | | |
| **(7)** Loans (other than to participants) | 1c(7) | | |
| **(8)** Participant loans | 1c(8) | | |
| **(9)** Value of interest in common/collective trusts | 1c(9) | | |
| **(10)** Value of interest in pooled separate accounts | 1c(10) | | |
| **(11)** Value of interest in master trust investment accounts | 1c(11) | | |
| **(12)** Value of interest in 103-12 investment entities | 1c(12) | | |
| **(13)** Value of interest in registered investment companies (e.g., mutual funds) | 1c(13) | 1054666 | 1626988 |
| **(14)** Value of funds held in insurance company general account (unallocated contracts) | 1c(14) | | |
| **(15)** Other | 1c(15) | | |

| | | (a) Beginning of Year | (b) End of Year |
|---|---|---|---|
| **1d** Employer-related investments: | | | |
| **(1)** Employer securities | 1d(1) | 10153600 | 6931200 |
| **(2)** Employer real property | 1d(2) | | |
| **e** Buildings and other property used in plan operation | 1e | | |
| **f** Total assets (add all amounts in lines 1a through 1e) | 1f | 14235629 | 14406181 |
| **Liabilities** | | | |
| **g** Benefit claims payable | 1g | | |
| **h** Operating payables | 1h | 490502 | 763787 |
| **i** Acquisition indebtedness | 1i | | |
| **j** Other liabilities | 1j | | |
| **k** Total liabilities (add all amounts in lines 1g through1j) | 1k | 490502 | 763787 |
| **Net Assets** | | | |
| **l** Net assets (subtract line 1k from line 1f) | 1l | 13745127 | 13642394 |

## Part II Income and Expense Statement

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

| Income | | (a) Amount | (b) Total |
|---|---|---|---|
| **a Contributions:** | | | |
| **(1)** Received or receivable in cash from: **(A)** Employers | 2a(1)(A) | | |
| **(B)** Participants | 2a(1)(B) | | |
| **(C)** Others (including rollovers) | 2a(1)(C) | | |
| **(2)** Noncash contributions | 2a(2) | | |
| **(3)** Total contributions. Add lines **2a(1)(A), (B), (C),** and line **2a(2)** | 2a(3) | | 0 |
| **b Earnings on investments:** | | | |
| **(1)** Interest: | | | |
| **(A)** Interest-bearing cash (including money market accounts and certificates of deposit) | 2b(1)(A) | 55644 | |
| **(B)** U.S. Government securities | 2b(1)(B) | | |
| **(C)** Corporate debt instruments | 2b(1)(C) | | |
| **(D)** Loans (other than to participants) | 2b(1)(D) | | |
| **(E)** Participant loans | 2b(1)(E) | | |
| **(F)** Other | 2b(1)(F) | | |
| **(G)** Total interest. Add lines **2b(1)(A)** through **(F)** | 2b(1)(G) | | 55644 |
| **(2)** Dividends: **(A)** Preferred stock | 2b(2)(A) | | |
| **(B)** Common stock | 2b(2)(B) | 4378708 | |
| **(C)** Registered investment company shares (e.g. mutual funds) | 2b(2)(C) | | |
| **(D)** Total dividends. Add lines **2b(2)(A)**, **(B)**, and **(C)** | 2b(2)(D) | | 4378708 |
| **(3)** Rents | 2b(3) | | |
| **(4)** Net gain (loss) on sale of assets: **(A)** Aggregate proceeds | 2b(4)(A) | | |
| **(B)** Aggregate carrying amount (see instructions) | 2b(4)(B) | | |
| **(C)** Subtract line **2b(4)(B)** from line **2b(4)(A)** and enter result | 2b(4)(C) | | 0 |

| | | (a) Amount | (b) Total |
|---|---|---|---|
| **2b** **(5)** Unrealized appreciation (depreciation) of assets: **(A)** Real estate | 2b(5)(A) | | |
| **(B)** Other | 2b(5)(B) | -3366071 | |
| **(C)** Total unrealized appreciation of assets. Add lines **2b(5)(A)** and **(B)** | 2b(5)(C) | | -3366071 |
| **(6)** Net investment gain (loss) from common/collective trusts | 2b(6) | | |
| **(7)** Net investment gain (loss) from pooled separate accounts | 2b(7) | | |
| **(8)** Net investment gain (loss) from master trust investment accounts | 2b(8) | | |
| **(9)** Net investment gain (loss) from 103-12 investment entities | 2b(9) | | |
| **(10)** Net investment gain (loss) from registered investment companies (e.g., mutual funds) | 2b(10) | | |
| **c** Other income | 2c | | |
| **d** Total income. Add all **income** amounts in column (b) and enter total | 2d | | 1068281 |
| **Expenses** | | | |
| **e** Benefit payment and payments to provide benefits: | | | |
| **(1)** Directly to participants or beneficiaries, including direct rollovers | 2e(1) | 1121965 | |
| **(2)** To insurance carriers for the provision of benefits | 2e(2) | | |
| **(3)** Other | 2e(3) | | |
| **(4)** Total benefit payments. Add lines **2e(1)** through **(3)** | 2e(4) | | 1121965 |
| **f** Corrective distributions (see instructions) | 2f | | |
| **g** Certain deemed distributions of participant loans (see instructions) | 2g | | |
| **h** Interest expense | 2h | | |
| **i** Administrative expenses: **(1)** Professional fees | 2i(1) | 35313 | |
| **(2)** Contract administrator fees | 2i(2) | | |
| **(3)** Investment advisory and management fees | 2i(3) | 13704 | |
| **(4)** Other | 2i(4) | 32 | |
| **(5)** Total administrative expenses. Add lines **2i(1)** through **(4)** | 2i(5) | | 49049 |
| **j** Total expenses. Add all **expense** amounts in column (b) and enter total | 2j | | 1171014 |
| **Net Income and Reconciliation** | | | |
| **k** Net income (loss). Subtract line **2j** from line **2d** | 2k | | -102733 |
| **l** Transfers of assets: | | | |
| **(1)** To this plan | 2l(1) | | |
| **(2)** From this plan | 2l(2) | | |

## Part III Accountant's Opinion

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

**(1)** [X] Unqualified **(2)** [ ] Qualified **(3)** [ ] Disclaimer **(4)** [ ] Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)? [ ] Yes [X] No

**c** Enter the name and EIN of the accountant (or accounting firm) below:

**(1)** Name: MELTON & MELTON, LLP **(2)** EIN: 74-1550819

**d** The opinion of an independent qualified public accountant is **not attached** because:

**(1)** [ ] This form is filed for a CCT, PSA, or MTIA. **(2)** [ ] It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

## Part IV Compliance Questions

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete 4j and 4l. MTIAs also do not complete 4l.

During the plan year:

| | | Yes | No | Amount |
|---|---|---|---|---|
| **a** | Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.) | 4a | | X | |
| **b** | Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.) | 4b | | X | |
| **c** | Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.) | 4c | | X | |
| **d** | Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.) | 4d | | X | |
| **e** | Was this plan covered by a fidelity bond? | 4e | X | | 500000 |
| **f** | Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty? | 4f | | X | |
| **g** | Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4g | | X | |
| **h** | Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser? | 4h | | X | |
| **i** | Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.) | 4i | X | | |
| **j** | Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.) | 4j | X | | |
| **k** | Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC? | 4k | X | | |
| **l** | Has the plan failed to provide any benefit when due under the plan? | 4l | | X | |
| **m** | If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.) | 4m | | X | |
| **n** | If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3. | 4n | | | |

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? If "Yes," enter the amount of any plan assets that reverted to the employer this year ☐ **Yes** ☒ **No** **Amount:**

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

| **5b(1)** Name of plan(s) | **5b(2)** EIN(s) | **5b(3)** PN(s) |
|---|---|---|
| | | |
| | | |
| | | |
| | | |

# SCHEDULE R (Form 5500)

Department of the Treasury
Internal Revenue Service

Department of Labor
Employee Benefits Security Administration

Pension Benefit Guaranty Corporation

# Retirement Plan Information

This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).

▶ **File as an attachment to Form 5500.**

OMB No. 1210-0110

**2011**

**This Form is Open to Public Inspection.**

For calendar plan year 2011 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

**A** Name of plan
BLUEWATER CONSTRUCTORS, INC. EMPLOYEE STOCK OWNERSHIP PLAN

**B** Three-digit plan number (PN) ▶ 001

**C** Plan sponsor's name as shown on line 2a of Form 5500
BLUEWATER CONSTRUCTORS, INC.

**D** Employer Identification Number (EIN)
74-1907870

## Part I Distributions

**All references to distributions relate only to payments of benefits during the plan year.**

**1** Total value of distributions paid in property other than in cash or the forms of property specified in the instructions ..... **1** 0

**2** Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):

EIN(s): 74-1907870

**Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.**

**3** Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year. ..... **3**

## Part II Funding Information (If the plan is not subject to the minimum funding requirements of section of 412 of the Internal Revenue Code or ERISA section 302, skip this Part)

**4** Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? ..... ☐ **Yes** ☐ **No** ☒ **N/A**

**If the plan is a defined benefit plan, go to line 8.**

**5** If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. **Date:** Month _____ Day _____ Year _____

**If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.**

**6 a** Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) ..... **6a**

**b** Enter the amount contributed by the employer to the plan for this plan year ..... **6b**

**c** Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount) ..... **6c**

**If you completed line 6c, skip lines 8 and 9.**

**7** Will the minimum funding amount reported on line 6c be met by the funding deadline? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

**8** If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? ..... ☐ **Yes** ☐ **No** ☐ **N/A**

## Part III Amendments

**9** If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. ..... ☐ **Increase** ☐ **Decrease** ☐ **Both** ☐ **No**

## Part IV ESOPs (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.

**10** Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? ..... ☐ **Yes** ☒ **No**

**11 a** Does the ESOP hold any preferred stock? ..... ☐ **Yes** ☒ **No**

**b** If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) ..... ☐ **Yes** ☒ **No**

**12** Does the ESOP hold any stock that is not readily tradable on an established securities market? ..... ☒ **Yes** ☐ **No**

## Part V Additional Information for Multiemployer Defined Benefit Pension Plans

**13** Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify):

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

---

**a** Name of contributing employer

**b** EIN **c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires *(If employer contributes under more than one collective bargaining agreement, check box* ☐ *and see instructions regarding required attachment. Otherwise, enter the applicable date.)* Month _____ Day _____ Year _____

**e** Contribution rate information *(If more than one rate applies, check this box* ☐ *and see instructions regarding required attachment. Otherwise, complete items 13e(1) and 13e(2).)*
(1) Contribution rate (in dollars and cents) _____
(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

**14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

| | | |
|---|---|---|
| **a** The current year | **14a** | |
| **b** The plan year immediately preceding the current plan year | **14b** | |
| **c** The second preceding plan year | **14c** | |

**15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

| | | |
|---|---|---|
| **a** The corresponding number for the plan year immediately preceding the current plan year | **15a** | |
| **b** The corresponding number for the second preceding plan year | **15b** | |

**16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

| | | |
|---|---|---|
| **a** Enter the number of employers who withdrew during the preceding plan year | **16a** | |
| **b** If item 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers | **16b** | |

**17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. ☐

## Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

**18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ☐

**19** If the total number of participants is 1,000 or more, complete items (a) through (c)

**a** Enter the percentage of plan assets held as:
Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

**b** Provide the average duration of the combined investment-grade and high-yield debt:
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

**c** What duration measure was used to calculate item 19(b)?
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify):

# BLUEWATER CONSTRUCTORS, INC.
# EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

FINANCIAL STATEMENTS

AND SUPPLEMENTAL SCHEDULES

AS OF

DECEMBER 31, 2011 AND 2010

AND REPORT OF

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS




MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

MELTON & MELTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

September 5, 2012

To the Plan Administrator of
**Bluewater Constructors, Inc. Employee Stock Ownership Plan and Trust**

We have audited the accompanying statement of net assets available for benefits of Bluewater Constructors, Inc. Employee Stock Ownership Plan and Trust (the "Plan") as of December 31, 2011 and 2010, and the related statement of changes in net assets available for benefits for the year ended December 31, 2011. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Bluewater Constructors, Inc. Employee Stock Ownership Plan and Trust as of December 31, 2011 and 2010 and the changes in its net assets available for benefits for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule H, line 4i - schedule of assets (held at end of year) as of December 31, 2011 and schedule H, line 4j - schedule of reportable transactions for the year ended December 31, 2011, together referred to as "supplemental information," are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Melton & Melton, L.L.P.

Houston, Texas

6002 Rogerdale, Ste. 200 Houston, Texas 77072 Tel 281-759-1120 Fax 281-759-5500

**BLUEWATER CONSTRUCTORS, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**
**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**
**December 31, 2011 and 2010**

| | 2011 | 2010 |
|---|---|---|
| **Investments**, at fair value: | | |
| Bluewater Constructors, Inc. - common stock | $ 6,931,200 | $ 10,153,600 |
| Mutual funds | 1,626,988 | 1,054,666 |
| Limited partnerships | 367,672 | 380,124 |
| Interest-bearing cash | 3,738,360 | 2,207,279 |
| Total investments, at fair value | 12,664,220 | 13,795,669 |
| **Non-interest bearing cash** | 373,790 | 439,960 |
| **Receivables - S Corp. distribution** | 1,368,171 | - |
| Net assets available for benefits | **$ 14,406,181** | **$ 14,235,629** |

(See accompanying notes to financial statements)

**BLUEWATER CONSTRUCTORS, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**
**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**
**For the Year Ended December 31, 2011**

| | |
|---|---|
| **Additions to Net Assets Attributable to:** | |
| Investment income (loss): | |
| Interest and dividend income | $ 55,644 |
| S Corp. distribution income | 4,378,708 |
| Net depreciation in fair value of investments | (3,366,071) |
| | 1,068,281 |
| **Deductions from Net Assets Attributable to:** | |
| Benefits paid to participants | 848,680 |
| Administrative expenses | 49,049 |
| | 897,729 |
| **Change in Net Assets Available for Benefits** | 170,552 |
| **Net Assets Available for Benefits at:** | |
| Beginning of year | 14,235,629 |
| End of year | **$ 14,406,181** |

(See accompanying notes to financial statements)

# BLUEWATER CONSTRUCTORS, INC.
# EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST
# NOTES TO FINANCIAL STATEMENTS
# December 31, 2011

## NOTE 1 - DESCRIPTION OF THE PLAN

Bluewater Constructors, Inc. (the "Company") established the Bluewater Constructors, Inc. Employee Stock Ownership Plan and Trust (the "Plan") effective January 1, 1997. The Company became an S corporation effective January 1, 2007. The following description of the Plan provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

Participating employers in the Plan include the Company, any signatory company, or any affiliated company and shall include all trades and businesses, whether or not incorporated, which are either a controlled group, as determined by the Internal Revenue Code (IRC), an affiliated service group, as determined by the IRC, or any other entity required to be aggregated pursuant to the regulations under the IRC. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

### Eligibility

The Plan is a defined contribution plan covering all employees of the Company, except those who are treated by the Company as independent contractors and employees who are non-resident aliens deriving no earned income from sources within the United States. Employees are eligible to participate on the first day of January or July coinciding with, or next following, the completion of one year of service.

### Participant Accounts

Participants cannot contribute to the Plan. The Company may make a discretionary contribution. Participants are eligible to share in the employer's contribution in each Plan year in which they have completed 1,000 hours of service and are employed on the last day of the Plan year. Employer contributions are allocated to each eligible participant based on the relation of the participant's eligible compensation to total eligible compensation for the year subject to certain limitations. Separate accounts are maintained for each participant, which include an employer stock account and other investment account. Except for stock and cash distributions attributable to employer stock in the participant's employer stock account, earnings are allocated to each participant based on the relation of the participant's account balance to total account balances of all participants as of the beginning of the Plan year. Stock and cash distributions on shares of employer stock shall be credited to each participant's employer stock account. Stock and cash distributions on unallocated employer stock shall be credited to each participant's employer stock account in the proportion that the combined total amount of the participant's employer stock account and other investment account bears to the combined total amount of all participant employer stock accounts and other investment accounts as of the first day of the Plan year during which such distributions were received by the Plan. The Company did not make a discretionary contribution during 2011.

## NOTE 1 - DESCRIPTION OF THE PLAN (CONTINUED)

### Life Insurance Policies

The Plan may purchase key man life insurance on the life or lives of key employees of the Company as insurance against the loss in value to the Company from the death of a key employee. Premium payments are to be allocated to participants on the last day of the Plan year in which such payments are made in the same ratio as employer contributions. Proceeds received on any life insurance policy shall be allocated among the participants in the ratio in which the total premium payments for that policy for each participant bears to the total premium payments for that policy in the Plan year in which such proceeds are received. At December 31, 2011 and 2010, the Plan had not purchased any insurance policies.

### Payment of Benefits

No distributions will be made until a participant retires (normal retirement age under the Plan is 65), dies (in which case, payment shall be made to his or her beneficiary or, if none, his or her legal representatives), becomes permanently disabled, or otherwise terminates employment with the Company. Beginning at age 55, for each participant who has at least 10 years of participation in the Plan, the participant may elect to receive a partial cash withdrawal of 25% of the participant's account in the Plan. If the participant continues to participate in the Plan for five more years, this cash withdrawal right increases and applies to 50% of the value of the participant's account in the Plan.

The Company is currently an S corporation. If at the time of a distribution the Company is still an S corporation, the distribution will generally be made in cash paid to the participant and not in shares of Company stock.

If at the time of a distribution the Company is no longer an S corporation, and a participant receives a distribution of shares of Company stock, the participant may for a limited time period sell the shares to the Company. If this option is exercised, the Company will pay the participant a cash amount equal to the most recent appraisal value of shares sold to the Company.

Distributions of a participant's vested account will take place within 180 days following the end of the Plan year in which the participant retires and within one year following the end of the Plan year in which the participant dies or becomes permanently disabled. For termination of a participant's employment other than death, permanent disability, or normal retirement age, and in which the participant's vested account balance is more than $150,000, the distribution will usually commence within two years after the end of the fifth Plan year following the Plan year in which the participant terminated employment. Distributions are made in five annual installments plus one additional year for each $100,000 in the participant's account balance over $500,000, not to exceed an additional five years. The Plan allows for immediate distribution to participants with vested balances of $150,000 or less upon termination of employment.

## NOTE 1 - DESCRIPTION OF THE PLAN (CONTINUED)

### Vesting

If a participant's employment with the Company ends for any reason other than retirement, death, or disability, he or she will vest in the balance in his or her account based on total years of service with the Company. Participants vest 20% upon completion of the first two years of service and 20% a year thereafter. Upon completion of six years of service, a participant is fully vested. Participants who end employment as a result of retirement, death, or disability become fully vested.

Forfeitures in any year are to be allocated to the participants on the same basis as the Company contributions. At December 31, 2011 and 2010, there were no forfeitures balances. Forfeitures of $10,168 were allocated to the participants in 2011.

### Voting Rights

Participants may direct the trustees as to the voting rights of the Company stock to vote on a per share basis on corporate matters which relate to a merger, reorganization, liquidation, sale of substantially all assets of the Company, or such similar matters as prescribed by regulations. Participants shall be notified by the Company prior to such times that such rights are to be exercised. The trustees of the Plan shall have the right to vote Company stock in all cases where participants fail to give voting instructions and when voting rights do not apply. The trustees of the Plan must vote unallocated shares in the same proportion as the votes of participants with allocated shares.

### Put Option

Under Federal income tax regulations, the Company stock that is held by the Plan and its participants and is not readily tradable on an established market, or is subject to trading limitations, includes a put option. The put option is a right to demand that the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the fair value of the stock on the most recent valuation date prior to the date the option is exercised. The Company can pay for the purchase with interest over a period not to exceed five years. The purpose of the put option is to ensure that the participant has the ability to ultimately obtain cash.

### Plan Termination

Although it has not expressed any intend to do so, the Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon such termination, all participants will become 100% vested and the interest of each participant in the Plan will be distributed to such participant or his or her beneficiary at the time prescribed by the Plan terms.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The accounting records of the Plan are maintained on the accrual basis of accounting.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investment Valuation and Income Recognition

Investments are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussions of fair value measurements. Distribution income is accrued in the year declared. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis.

### Administrative Expenses

Administrative expenses of the Plan are paid by the Company or the Plan.

### Benefits Paid to Participants

Benefits are recorded when paid.

### Federal Income Taxes

The Internal Revenue Service (IRS) has determined and informed the Company by a letter dated October 23, 2001, that the Plan and related trust are designed in accordance with applicable sections of the IRC. Although the Plan has been amended since receiving the determination letter, the plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and, therefore, believes that the Plan is qualified and the related trust is tax-exempt. In December 2010, the Plan submitted an application for a new determination letter. The application is currently pending IRS approval.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2011 and 2010, there are no uncertain positions taken or expected to be taken. The Plan is subject to routine audits by taxing jurisdictions and there is currently an IRS audit in progress for the years 2008 through 2010. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Recent Accounting Pronouncement

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRS (ASU 2011-04)*. ASU 2011-04 amended Accounting Standards Codification (ASC) 820 to converge the fair value measurement guidance in U.S. GAAP and International Financial Reporting Standards (IFRS). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. The Plan's management is currently evaluating the effect that the provisions of ASU 2011-04 will have on the Plan's financial statements.

On January 1, 2011, the Plan adopted guidance ASU 2010-06, *Improving Disclosures about Fair Value Measurements*, requiring separate presentation of information about purchases, sales, issuances, and settlements in the Level 3 reconciliation for fair value measurements using significant unobservable inputs. The adoption required updates to the Plan's financial statement disclosures, but did not impact the Plan's results of operations or financial position.

## NOTE 3 - ADMINISTRATION OF PLAN ASSETS

The Plan is administered by an Administrative Committee, which is appointed by the Board of Directors of the Company. The Plan's trustees are an officer and employees of the Company. National Actuarial Pension Services, Inc. serves as third-party administrator and record keeper.

Company contributions are held and managed by the trustees, who invest cash received, interest, dividend, and distribution income and make distributions to participants.

Certain administrative functions are performed by officers or employees of the Company. No such officer or employee receives compensation from the Plan. Administrative expenses for the trustees are paid directly by the Company.

## NOTE 4 - FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

Various inputs are used in determining the fair value of the Plan's investments. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. In addition, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The asset or liability's fair value measurement level

**NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)**

within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy, including the types of Plan investments that fall under each category and the valuation methodologies used to measure fair value, are described below:

*Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

*Interest-bearing cash:* Valued at cost, which approximates fair value.

*Mutual funds:* Valued at net asset value (NAV) of shares held by the Plan at year-end. NAV is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NAV is a quoted price in an active market.

*Level 2* - Inputs to the valuation methodology are other than quoted market prices in active markets that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices that are in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3* - Inputs to the valuation methodology are unobservable inputs (i.e. projections, estimates, interpretations, etc.) that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

*Limited partnerships:* Valued at fair value based on the net equity value of the limited partnerships' net assets as determined by the limited partnerships. One limited partnership's focus is on long-term wealth preservation and growth that serves as a feeder fund for The Endowment (Offshore TEI) Fund, Ltd. (TEF), which in turn is a feeder fund for The Endowment Master Fund, L.P. (Master Fund). The Master Fund invests its assets in a variety of investment vehicles including but not limited to limited partnerships, limited liability companies, offshore corporations and other foreign investment vehicles, registered investment companies, and direct investments in marketable securities and derivative instruments. The limited partnership investment may be redeemed at the end of each calendar quarter. The other limited partnership operates as a commodity investment pool, Sage Fund Limited Partnership (SFLP). SFLP invests its assets in future contracts and other financial investments. The limited partnership investment may be redeemed at the end of each month after the proper forms have been submitted. The Plan has no unfunded commitments for these investments.

*Bluewater Constructors, Inc. - common stock:* Valued at fair value as determined by an annual independent appraisal based on capitalization of normalized free cash flow. Fair value per share of the common stock was $4,560 and $6,680 at December 31, 2011 and 2010, respectively.

**NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The inputs and methodologies used for valuing securities are not an indication of the risk associated with investing in those securities. There have been no changes in the methodologies used at December 31, 2011 and 2010.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2011 and 2010:

| | December 31, 2011: | | | |
|---|---|---|---|---|
| Description | Level 1 | Level 2 | Level 3 | Total |
| Interest-Bearing Cash | $3,738,360 | | | $ 3,738,360 |
| Mutual Funds: | | | | |
| Intermediate-Term Bond | 405,984 | | | 405,984 |
| World Bond | 328,081 | | | 328,081 |
| Short-Term Bond | 370,244 | | | 370,244 |
| Large Value | 296,904 | | | 296,904 |
| Small-Mid Value | 141,021 | | | 141,021 |
| Large Growth | 54,187 | | | 54,187 |
| Other | 30,567 | | | 30,567 |
| Total Mutual Funds | 1,626,988 | | | 1,626,988 |
| Limited Partnerships: | | | | |
| Long-Term Wealth Preservation | | | $ 218,113 | 218,113 |
| Commodities | | | 149,559 | 149,559 |
| Total Limited Partnerships | | | 367,672 | 367,672 |
| Bluewater Constructors, Inc. - Common Stock | | | 6,931,200 | 6,931,200 |
| Total investments at fair value | $5,365,348 | | $7,298,872 | $12,664,220 |

**NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)**

| | December 31, 2010: | | | |
|---|---|---|---|---|
| Description | Level 1 | Level 2 | Level 3 | Total |
| Interest-Bearing Cash | $2,207,279 | | | $ 2,207,279 |
| Mutual Funds: | | | | |
| Intermediate-Term Bond | 535,515 | | | 535,515 |
| World Bond | 137,537 | | | 137,537 |
| Short-Term Bond | 117,499 | | | 117,499 |
| Large Value | 157,942 | | | 157,942 |
| Small-Mid Value | 12,886 | | | 12,886 |
| Large Growth | 53,894 | | | 53,894 |
| Other | 39,393 | | | 39,393 |
| Total Mutual Funds | 1,054,666 | | | 1,054,666 |
| Limited Partnerships: | | | | |
| Long-Term Wealth Preservation | | | $ 163,228 | 163,228 |
| Commodities | | | 216,896 | 216,896 |
| Total Limited Partnerships | | | 380,124 | 380,124 |
| Bluewater Constructors, Inc. - Common Stock | | | 10,153,600 | 10,153,600 |
| Total investments at fair value | $3,261,945 | | $10,533,724 | $13,795,669 |

The following table sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 2011:

| | Limited Partnerships | Bluewater Constructors, Inc. Common Stock |
|---|---|---|
| Balance, beginning of year | $380,124 | $10,153,600 |
| Purchases | 60,000 | - |
| Unrealized loss relating to instruments still held at the reporting date | (72,452) | (3,222,400) |
| Balance, end of year | $367,672 | $ 6,931,200 |
| The amount of total losses for the period included in change in net assets attributable to the change in unrealized losses relating to assets still held at the reporting date | $(72,452) | $(3,222,400) |

Losses included in changes in net assets for the period above are reported in net depreciation in fair value of investments in the statement of changes in net assets available for benefits.

## NOTE 5 - INVESTMENTS

Investments that represent 5% or more of the Plan's net assets at December 31, 2011 and 2010 are separately identified below, at fair value:

| Identity of Party Involved | Description | 2011 | 2010 |
|---|---|---|---|
| Bluewater Constructors, Inc. | Common stock | $6,931,200 | $10,153,600 |
| Amegy Bank of Texas | Interest-bearing cash | 3,717,351 | 1,517,422 |

During 2011, the Plan's investments (including losses on investments bought and sold, as well as held during the year) depreciated in fair value as follows:

| | |
|---|---|
| Common stock | $(3,222,400) |
| Mutual funds | (71,219) |
| Limited partnerships | (72,452) |
| Total | $(3,366,071) |

## NOTE 6 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Plan to concentrations of credit risk principally consist of cash. The Plan places its cash in financial institutions. At times, such cash investments may be in excess of federally insured limits.

## NOTE 7 - RISKS AND UNCERTAINTIES

The Plan provides for various investments, mainly in Company common stock, mutual funds, and limited partnerships. In general, such investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

## NOTE 8 - PARTY-IN-INTEREST TRANSACTION

During 2011 and 2010, the Plan invested in common stock issued by the Company. This transaction qualifies as a party-in-interest transaction. This transaction is covered by an exemption from the "prohibited transaction" provisions of ERISA.

## NOTE 9 - RECONCILIATION OF FINANCIAL STATEMENTS TO THE FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2011 and 2010:

| | 2011 | 2010 |
|---|---|---|
| Net assets available for benefits per the financial statements | $14,406,181 | $14,235,629 |
| Benefits payable per the Form 5500 | (763,787) | (490,502) |
| Net assets available for benefits per the Form 5500 | $13,642,394 | $13,745,127 |

The following is a reconciliation of the change in net assets available for benefits per the financial statements to the Form 5500 for the year ended December 31, 2011:

| | |
|---|---|
| Change in net assets available for benefits per the financial statements | $ 170,552 |
| Add: Benefits payable per the Form 5500 - December 31, 2010 | 490,502 |
| Less: Benefits payable per the Form 5500 - December 31, 2011 | (763,787) |
| Change in net assets available for benefits per the Form 5500 | $(102,733) |

Benefits payable are recorded on the Form 5500 for benefits that have been requested and approved for distribution prior to the Plan year-end, but have not yet been distributed.

## NOTE 10 - SUBSEQUENT EVENTS

The Plan has evaluated subsequent events through September 5, 2012, the date the financial statements were available to be issued.

**BLUEWATER CONSTRUCTORS, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**
**EIN: 74-1907870 PLAN #001**
**SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)**
**December 31, 2011**

| (a) | (b) Identity of Issue, Borrower, Lessor, or Similar Party | (c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value | (d) Cost | (e) Current Value |
|---|---|---|---|---|
| | **Common Stock:** | | | |
| * | Bluewater Constructors, Inc. | 1,520 common shares, $1 par value | $ 2,400,000 | $ 6,931,200 |
| | **Mutual Funds:** | | | |
| | American Funds | Capital World Bond Fund Class F-2 | 162,148 | 164,567 |
| | American Funds | AMCAP F-2 | 46,722 | 54,187 |
| | MFS | International Diversification Fund Class R4 | 50,068 | 48,570 |
| | MFS | Research Bond Fund Class R4 | 220,899 | 238,305 |
| | MFS | Limited Maturity Fund Class R4 | 210,167 | 207,597 |
| | MFS | Value Fund Class R4 | 21,266 | 24,720 |
| | PIMCO | Unconstrained Bond Fund Class P | 107,640 | 104,704 |
| | DFA | Five-Year Global Fixed-Income I | 84,575 | 83,188 |
| | DFA | Inflation-Protected Securities I | 59,708 | 62,976 |
| | DFA | One-Year Fixed-Income I | 81,013 | 80,658 |
| | DFA | Short-Term Extended Quality Instl | 82,230 | 81,989 |
| | DFA | Selectively Hedged Global F/I Instl | 83,261 | 80,326 |
| | DFA | U.S. Vector Equity I | 40,101 | 37,059 |
| | DFA | U.S. Small Cap Portfolio I | 39,928 | 37,684 |
| | DFA | Intl Small Cap Value Portfolio I | 41,288 | 32,651 |
| | DFA | Emerging Markets Value Portfolio I | 41,306 | 30,567 |
| | DFA | International Value Portfolio I | 82,338 | 65,415 |
| | DFA | U.S. Large Cap Value Portfolio I | 120,839 | 111,286 |
| | DFA | Intl Small Company Portfolio I | 41,465 | 33,626 |
| | Washington Mutual | Investors Fund Class F-2 Sales | 46,869 | 46,913 |
| | **Limited Partnerships:** | | | |
| | | The Endowment TEI Fund, L.P. | 210,010 | 218,113 |
| | | Sage Fund Limited Partnership | 200,000 | 149,559 |
| | **Interest-Bearing Cash:** | | | |
| | Amegy Bank of Texas | Money market | 3,717,351 | 3,717,351 |
| | Charles Schwab | Money market | 14,258 | 14,258 |
| | Dreyfus | Gov't Cash Mngt Inv Sh | 6,751 | 6,751 |
| | | | **$ 8,212,201** | **$ 12,664,220** |

* A party-in-interest as defined by ERISA.

**BLUEWATER CONSTRUCTORS, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**
**EIN: 74-1907870 PLAN #001**
**SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS**
**For the Year Ended December 31, 2011**

| (a) Identity of Party Involved | (b) Description of Asset (including interest rate and maturity in case of a loan) | (c) Purchase Price | (d) Selling Price | (g) Cost of Asset | (h) Current Value of Asset on Transaction Date | (i) Net Gain (Loss) |
|---|---|---|---|---|---|---|
| **Series in Same Security:** | | | | | | |
| **Interest-Bearing Cash:** | | | | | | |
| Amegy Bank of Texas | | | | | | |
| | Money Market Account: | | | | | |
| | Purchases | $ 2,299,929 | | $ 2,299,929 | | |
| | Sales | | $ 100,000 | | $ 100,000 | |

**BLUEWATER CONSTRUCTORS, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**
**EIN: 74-1907870 PLAN #001**
**SCHEDULE H, LINE 4j - SCHEDULE OF REPORTABLE TRANSACTIONS**
**For the Year Ended December 31, 2011**

| (a) Identity of Party Involved | (b) Description of Asset (including interest rate and maturity in case of a loan) | (c) Purchase Price | (d) Selling Price | (g) Cost of Asset | (h) Current Value of Asset on Transaction Date | (i) Net Gain (Loss) |
|---|---|---|---|---|---|---|
| **Series in Same Security:** | | | | | | |
| **Interest-Bearing Cash:** | | | | | | |
| Amegy Bank of Texas | | | | | | |
| | Money Market Account: | | | | | |
| | Purchases | $ 2,299,929 | | $ 2,299,929 | | |
| | Sales | | $ 100,000 | | $ 100,000 | |

**BLUEWATER CONSTRUCTORS, INC.**
**EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST**
**EIN: 74-1907870 PLAN #001**
**SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)**
**December 31, 2011**

| (a) | (b) Identity of Issue, Borrower, Lessor, or Similar Party | (c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value | (d) Cost | (e) Current Value |
|---|---|---|---|---|
| | **Common Stock:** | | | |
| * | Bluewater Constructors, Inc. | 1,520 common shares, $1 par value | $ 2,400,000 | $ 6,931,200 |
| | **Mutual Funds:** | | | |
| | American Funds | Capital World Bond Fund Class F-2 | 162,148 | 164,567 |
| | American Funds | AMCAP F-2 | 46,722 | 54,187 |
| | MFS | International Diversification Fund Class R4 | 50,068 | 48,570 |
| | MFS | Research Bond Fund Class R4 | 220,899 | 238,305 |
| | MFS | Limited Maturity Fund Class R4 | 210,167 | 207,597 |
| | MFS | Value Fund Class R4 | 21,266 | 24,720 |
| | PIMCO | Unconstrained Bond Fund Class P | 107,640 | 104,704 |
| | DFA | Five-Year Global Fixed-Income I | 84,575 | 83,188 |
| | DFA | Inflation-Protected Securities I | 59,708 | 62,976 |
| | DFA | One-Year Fixed-Income I | 81,013 | 80,658 |
| | DFA | Short-Term Extended Quality Instl | 82,230 | 81,989 |
| | DFA | Selectively Hedged Global F/I Instl | 83,261 | 80,326 |
| | DFA | U.S. Vector Equity I | 40,101 | 37,059 |
| | DFA | U.S. Small Cap Portfolio I | 39,928 | 37,684 |
| | DFA | Intl Small Cap Value Portfolio I | 41,288 | 32,651 |
| | DFA | Emerging Markets Value Portfolio I | 41,306 | 30,567 |
| | DFA | International Value Portfolio I | 82,338 | 65,415 |
| | DFA | U.S. Large Cap Value Portfolio I | 120,839 | 111,286 |
| | DFA | Intl Small Company Portfolio I | 41,465 | 33,626 |
| | Washington Mutual | Investors Fund Class F-2 Sales | 46,869 | 46,913 |
| | **Limited Partnerships:** | | | |
| | | The Endowment TEI Fund, L.P. | 210,010 | 218,113 |
| | | Sage Fund Limited Partnership | 200,000 | 149,559 |
| | **Interest-Bearing Cash:** | | | |
| | Amegy Bank of Texas | Money market | 3,717,351 | 3,717,351 |
| | Charles Schwab | Money market | 14,258 | 14,258 |
| | Dreyfus | Gov't Cash Mngt Inv Sh | 6,751 | 6,751 |
| | | | **$ 8,212,201** | **$ 12,664,220** |

* A party-in-interest as defined by ERISA.