



stock sold by insiders in connection with the IPO pursuant to an Underwriters' oversubscription option.

2. Superior Offshore, its entire Board of Directors, its Chief Financial Officer and the Underwriters involved in the Offering (including, Merrill Lynch, Pierce, Fenner & Smith Inc. and J.P. Morgan Securities Inc.), are each charged with including or allowing the inclusion of materially false and misleading statements in the Registration Statement and Prospectus issued in connection with the IPO, in direct violation of the Securities Act of 1933.

3. Specifically, Defendants each failed to conduct an adequate due diligence investigation into the Company prior to the IPO, and they also each failed to reveal, at that time of the IPO, that the Company's core business was not performing according to plan, that its core market in the Gulf of Mexico was declining, and that Defendants would be forced to immediately transform and reorganize the Company, and to enter into new, untested markets such as Deep Water and International Operations. At the time of the Offering, the Company was not operating according to plan, such that Superior Offshore's sales already had been, and foreseeably would continue to be, adversely affected as a result thereof, and that the Company would likely have a cash shortfall within a year of the IPO when it could not execute on its business plan.

4. It was only beginning on August 14, 2007, however, after the close of trading - - and after Defendants and other Company insiders liquidated over \$49 million of their personally held shares in or in connection with the IPO or

thereafter during the relevant period - - that Superior Offshore abandon their much-publicized business plan and reveal the truth about the Company, including that the problems which existed at the time of the IPO would result in extremely disappointing results for the foreseeable near-term, and would force Defendants to utterly reorganize and transform Superior Offshore. Later, on November 14, 2007, shares of the Company would again decline precipitously after Defendants belatedly revealed that Superior Offshore was operating even below its recently revised forecasts, and that its core business was operating even worse than previously disclosed. However, Defendants continued to artificially and fraudulently attempt to support the Company's stock price. On November 15, 2007, Defendant Mermis touted the Company's ability to execute on its strategic plan, including listening, without comment, to Defendant Burks' statements positively that "we (Superior) will close" on the Ocean Flow International, LLC merger in the fourth quarter, while knowing at that time, of material questions concerning the Company's status under its debt facilities and continued weaknesses in the Company's core Gulf of Mexico business. After that, worse news included the sale of material assets to support operations (Dec. 20, 2007), the suspension of even substantially downward revised guidance (Jan. 9, 2008) and the unscheduled departure of senior executives, such as Defendant Mermis (Jan. 28, 2008). In the midst of this cover-up, the Defendants also never disclosed that the Company could not pay for and would not take delivery of the Superior Achiever, a 435 ft, DP111 subsea construction

5. Following these belated disclosures, shares of the Company traded to approximately \$3.50 per share, where they continue to trade at the time of the filing of this action. The decline in the price of Superior Offshore which occurred at the end of the relevant period was a direct result of Defendants' belated disclosure of material adverse events that existed, were known or should have been known at the time of the April 2007 IPO, and during such time Defendants continued to liquidate millions of dollars of Superior Offshore common stock.

### **JURISDICTION AND VENUE**

6. The claims asserted herein arise under §§11 and 15 of the Securities Act of 1933 (the "Securities Act"). Jurisdiction is conferred by §22 of the Securities Act.

7. Venue is proper pursuant to §22 of the Securities Act, as Defendant Superior Offshore and/or the Individual Defendants and Underwriter Defendants - - Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities Inc. - - sold stock and mailed and/or made available the IPO Registration Statement in this District.

### **THE PARTIES**

8. Plaintiff Robert Brand purchased shares of Superior Offshore common stock pursuant to and traceable to the Company's materially false and

misleading Registration Statement and Prospectus issued by Defendants in connection with the Company's IPO completed on April 27, 2007, and was damaged thereby.

9. Defendant Superior Offshore International, Inc. is a Delaware Corporation founded in 1986. The Company's headquarter and place where it can be served is 717 Texas Ave., Suite 3150, Houston, Texas, 77002. According to the Company's IPO Registration Statement and in several press releases published by Defendants throughout the Class Period, Superior Offshore claims to be a leading provider of subsea construction and commercial diving services to the offshore oil and gas exploration and production and gathering and transmission services in the Gulf of Mexico. It has attempted to expand the scope of its services to include Latin America, Africa and the Middle East.

10. The individuals identified as Defendants in subparagraphs (a) - (f) below, are referred to collectively herein as the "Individual Defendants." The Individual Defendants are each liable for the false statements contained in the materially false and misleading Registration Statement and Prospectus, as alleged herein, as those statements were "group-published" information. The Individual Defendants include the following:

- a. Defendant Louis E. Schaefer, Jr. ("Schaefer") is, and at the time of the April 2007 IPO was, Chairman of the Board of Directors of Superior Offshore. Defendant Schaefer prepared and signed the materially false

and misleading Registration Statement and Prospectus filed with the SEC in connection with the Company's IPO. Also in connection with this IPO, Defendant Schaefer sold and/or disposed of over 1.5 million shares of Company shares that he owned or controlled, to realize illicit gross proceeds of \$22.5 million from the IPO alone. During the relevant period, Defendant Schaefer also sold an additional 3.025 million shares he owned and/or controlled while in possession of material adverse non-public information, to realize additional gross proceeds of over \$ 45 million.

- b. Defendant James J. Mermis ("Mermis") was at the time of the April 2007 IPO, President, Chief Executive Officer and a member of the Board of Directors of Superior Offshore, and had served in these positions until his unscheduled departure from the Company, announced on or about January 28, 2008. Defendant Mermis prepared and signed the materially false and misleading Registration Statement and Prospectus filed with the SEC in connection with the Company's April 2007 IPO. During the relevant period, Defendant Mermis also sold and/or disposed of over \$980, 000 of his personally held Superior Offshore shares while in possession of material adverse non-public information.
- c. Defendant Patrice Chemin ("Chemin") is, and at the time of the April 2007 IPO was, Chief Operating Officer of Superior Offshore - -

responsible for the day-to-day operations of Superior Offshore International's Commercial Diving/Subsea Construction, Construction /Fabrication, ROY and Deepwater divisions. Defendant Chemin assisted in the preparation and/or signed the materially false and misleading Registration Statement and Prospectus filed with the SEC in connection with the Company's April 2007 IPO.

- d. Defendant Roger D. Burks ("Burks") is, and at the time of the April 2007 IPO was, Chief Financial Officer and a member of the Board of Directors of Superior Offshore. Defendant Burks assisted in the preparation and/or signed the materially false and misleading Registration Statement and Prospectus filed with the SEC in connection with the Company's April 2007 IPO. During the relevant period, Defendant Burks also sold and/or disposed of over \$325,000 of his personally held Superior Offshore shares while in possession of material adverse non-public information.
- e. Defendant R. Joshua Koch ("Koch") is, and at the time of the April 2007 IPO was, Senior Vice-President, General Counsel, Secretary and a member of the Board of Directors of Superior Offshore. Defendant Koch assisted in the preparation and/or signed the materially false and misleading Registration Statement and Prospectus filed with the SEC in connection with the Company's

IPO. Also in connection with this IPO, Defendant Koch sold and/or disposed of over 1.5 million shares of Company shares that he owned or controlled, to realize illicit gross proceeds of \$22.5 million from the IPO alone. During the relevant period, Defendant Koch also sold nearly an additional 350,000 shares he owned and/or controlled while in possession of material adverse non-public information to realize additional gross proceeds of over \$2.9 million. Koch also served in the dual role as the manager of Schaefer Holdings GP, LLC, which sold millions of dollars of Superior common stock for the benefit of Louis E. Schaefer, Jr.

- f. The additional Defendants listed below were each members of the Board of Directors effective upon the consummation of the April 2007 IPO, and each of these Defendants was responsible for the preparation and filing of the materially false and misleading Registration Statement and filed with the SEC in connection therewith, as follows:

LEON CODRON ("Codron")	Director
THOMAS B. COLEMAN ("Coleman")	Director
JAMES L. PERSKY ("Persky")	Director
ERIC N. SMITH ("Smith")	Director
E. DONALD TERRY ("Terry")	Director

11. In connection with the February 2007 Initial Public Offering, Defendant Merrill Lynch, Pierce, Fenner & Smith Inc. ("Merrill Lynch") and Defendant J. P. Morgan Securities Inc. ("J.P. Morgan") acted as "Lead

<b><u>UNDERWRITER</u></b>	<b><u>NUMBER OF SHARES</u></b>
Merrill Lynch, Pierce, Fenner & Smith Inc.	4,066,668
J. P. Morgan Securities Inc.	4,066,668
Howard Weil Incorporated	677,777
Johnson Rice & Company, LLC	677,777
Simmons & Company International	677,777
TOTAL	10,166,667

12. In connection with the February 2007 IPO, the Underwriter Defendants were paid over \$12.276 million in gross fees – paid indirectly by purchasers of the Company’s shares. The Underwriter Defendants were paid at least \$1.05 per share in connection with the sale of the 11.6 million shares, including shares sold pursuant to the exercise of the Underwriter’s over-subscription option as follows:

	<b>PER SHARE</b>	<b>WITHOUT OPTION</b>	<b>WITH OPTION</b>
Public Offering Price	\$15.00	\$152,500,005	\$175,375,005
Underwriting Discount	\$1.05	\$10,675,000	\$12,276,250
Proceeds Before Expenses, to us	\$13.95	\$120,900,005	\$120,900,005
Proceeds, Before Expenses, to the Selling Stockholders	\$13.95	\$20,925,000	\$42,198,750

13. Shareholders were willing to, and did, pay over \$12.276 million in combined fees to compensate the Underwriters - - the majority of which was paid to the Underwriter Defendants – for conducting a purported significant "due diligence" investigation into Superior Offshore in connection with the IPO. The Underwriter Defendants' due diligence investigation was a critical component of the IPO, and this was supposed to provide investors with important safeguards and protections,

14. The due diligence investigation that was required by the Underwriter Defendants included a detailed investigation into Superior Offshore's sales, accounting, controls, and procedures and it also required Defendants to test the assumptions and verify the projections adopted or ratified by Defendants to the extent a reasonable investor with access to such confidential corporate information would. A reasonable due diligence investigation would have extended well beyond a mere casual view of Superior Offshore's books and records, and its accounting, financial report and operational and financial controls. The failure of the Underwriter Defendants to conduct an adequate due diligence investigation was a substantial contributing factor leading to the harm complained of herein.

15. In addition to the foregoing, because of the Underwriter Defendants' and Individual Defendants' positions with the Company, they each had access to the adverse undisclosed information about Superior Offshore's business, operations, products, operational trends, financial statements,

markets and present and future business prospects via access to internal corporate documents (including the Company's operating plans, budgets, and forecasts and reports of actual operations compared thereto), conversations and connections with other corporate officers and employees, attendance at management and Board of Directors meetings and committees thereof and via reports and other information provided to them in connection therewith.

16. In addition to the Underwriter Defendants, it is also appropriate to treat the individuals named as Defendants herein as a group for pleading purposes (the "Individual Defendants") and to presume that the false, misleading and incomplete information conveyed in the Company's public filings, press releases and other publications as alleged herein are the collective actions of the narrowly defined group of Defendants identified above. Each of the Individual Defendants, by virtue of their high-level positions with the Company, directly participated in the management of the Company, was directly involved in the day-to-day operations of the Company at the highest levels, and was privy to confidential proprietary information concerning the Company and its business, operations, products, growth, financial statements, and financial condition, as alleged herein. Accordingly, the Individual Defendants were also involved in drafting, producing, reviewing and/or disseminating the false and misleading statements and information alleged herein, and approved or ratified these statements, in violation of the federal securities laws.

17. As officers and controlling persons of a publicly-held company whose common stock was, and is, registered with the SEC pursuant to the Exchange Act, was traded on the NASDAQ stock market exchange (the "NASDAQ"), and is governed by the provisions of the federal securities laws, the Individual Defendants each had a duty to promptly disseminate accurate and truthful information with respect to the Company's financial condition and performance, growth, operations, financial statements, business, products, markets, management, earnings and present and future business prospects, and to correct any previously-issued statements that had become materially misleading or untrue, so that the market price of the Company's publicly-traded common stock would be based upon truthful and accurate information. The Individual Defendants' misrepresentations and omissions made in connection with the issuance of common stock in April 2007 violated these specific requirements and obligations.

18. The Individual Defendants, because of their positions of control and authority as officers and/or directors of the Company, were able to and did control the content of the various SEC filings, press releases, and other public statements pertaining to the Company at the time of the Offering. Each Individual Defendant was provided with copies of the documents alleged herein to be misleading prior to or shortly after their issuance and/or had the ability and/or opportunity to prevent their issuance or cause them to be corrected. Accordingly, each of the Individual Defendants is responsible for the accuracy of

the public reports and releases detailed herein and are therefore primarily liable for the representations contained therein.

**MATERIALLY FALSE AND MISLEADING STATEMENTS  
CONTAINED IN THE REGISTRATION STATEMENT AND PROSPECTUS**

19. On April 20, 2007, the inception of the relevant period, Defendants sold at least 10.1 million shares of newly registered common stock, priced at \$15.00 per share. Of this amount, not including the Underwriters' Oversubscription agreement to purchase up to an additional 1.525 million more shares, the Company sold 8.666 million Superior Offshore shares and Company insiders - - including certain of Defendants named herein - - sold an additional 1.666 million Company shares, to realize gross proceeds of approximately \$175.375 million. At the time Underwriters exercised their oversubscription options in connection with the April 2007 IPO, insiders realized at least \$45375 million directly from the sale of their personally held Company shares.

20. In connection with this IPO, the same day, April 20, 2007, Defendants also filed Superior Offshore's IPO Prospectus pursuant to Form 424B4 with the SEC.<sup>1</sup> This Prospectus issued in connection with the Superior Offshore IPO was materially false and misleading at the time of the Offering, and it misstated material facts about the Company. Rather than disclose problems that existed within the Company, at the time of the Offering the Prospectus described Superior Offshore as a growth company that was

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<sup>1</sup> This Prospectus also formed part of the Superior Offshore Registration Statement.

executing in its core Gulf of Mexico business and which was also beginning to expand into Deep Water and International Operations.

21. Regardless of the truth about the Company's business and operations, at the time of the April 2007 IPO, Defendants described Superior Offshore as concentrating on its core Gulf of Mexico operations and continuing to operate according to plan. As evidence of this, the Offering Prospectus stated, in part, the following:

### **Our Business**

We are a leading provider of subsea construction and commercial diving services to the crude oil and natural gas exploration and production and gathering and transmission industries ***on the outer continental shelf of the Gulf of Mexico***. Our subsea construction services include installation, upgrading and decommissioning of pipelines and production infrastructure, and our commercial diving services include recurring inspection, maintenance and repair services as well as support services for subsea construction and salvage operations. The versatility of our specialized fleet in combination with our experienced, highly trained diving personnel enables us to provide a comprehensive range of services to our customers at every stage of a crude oil or natural gas well's life cycle. ***We perform our services in both surface and saturation diving modes in water depths of up to 1,000 feet.*** We also operate a fabrication business that supports our subsea construction and commercial diving operations, increasing our ability to complete projects on a timely and cost-effective basis.

**Our track record has allowed us to develop a strong and loyal customer base and to capitalize on the increased demand for subsea construction and commercial diving services in our core market.** The demand for our services has been driven by strong exploration and production capital spending levels, which are the result of ***favorable conditions in the crude oil and natural gas markets, and a substantial increase in construction, repair and salvage work following hurricanes in the Gulf of Mexico in 2004 and 2005.*** Our customers include most of the top 20 crude oil and natural gas producers and most of the top 20 gathering and

transmission companies operating on the outer continental shelf of the Gulf of Mexico.

***We believe that we have one of the largest workforces of diving personnel dedicated to subsea construction and commercial diving activities in the U.S. Gulf of Mexico, with approximately 665 diving and marine personnel, including approximately 315 contract personnel, as of March 7, 2007.*** Our divers provide surface and saturation diving services from our vessels or may be contracted to provide these services and technical expertise to our customers' vessels.

\* \* \*

***We have grown our business by expanding our fleet to capitalize on strong market conditions in our core market and are expanding our operations into the deepwater Gulf of Mexico as well as select international markets....*** In December 2006, we began expanding our operations internationally by acquiring the subsea construction, commercial diving, offshore crude oil and natural gas logistical support and marine salvage businesses of South Africa-based Subtech Diving and Marine.

We have experienced significant revenue growth over the last two years..... In the fiscal year ended December 31, 2006, we had revenues of \$243.4 million and net income of \$48.5 million compared with revenues of \$82.4 million and net income of \$14.0 million in the fiscal year ended December 31, 2005.

22. The IPO Prospectus also provided a detailed report of what Defendants described as Industry Trends that existed at the time of the IPO. Reporting on these purported Industry Trends, the IPO Prospectus stated, in part, the following:

### **Industry Trends**

Current business conditions are strong, and we believe the outlook for our business remains favorable based on the following industry trends:

## **Increased offshore capital spending by crude oil and natural gas producers**

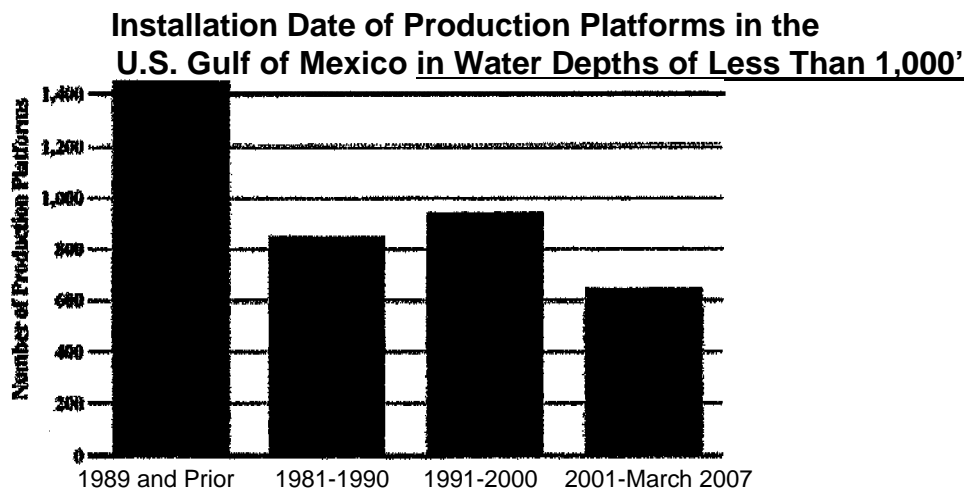
Increased worldwide demand for energy and resulting high commodity prices have enabled crude oil and natural gas producers to increase significantly their spending on drilling and completions. According to Spears & Associates, Inc., annual U.S. offshore drilling and completion spending has increased from \$8.5 billion in 2000 to \$14.2 billion in 2005, representing a compound annual growth rate of 10,8%, and is expected to increase at a compound annual growth rate of 6.4% between 2005 and 2010, reaching \$19.4 billion in 2010. On the outer continental shelf of the Gulf of Mexico, the growth in spending has been driven in part by smaller independent producers, which have aggressively acquired offshore properties and invested more heavily than previous operators to improve production. Additionally, several of the larger crude oil and natural gas companies are actively pursuing deep-shelf drilling projects (15,000 feet or more below the mudline in water depths up to 1,000 feet). The amount of drilling and completion spending in offshore regions generally has served as a leading indicator of demand for subsea construction and commercial diving services.

## **Significant demand for infrastructure repair projects in the U.S. Gulf of Mexico**

Currently, demand for our services in the U.S. Gulf of Mexico is at a high level as a result of the damage to subsea pipelines and production platforms caused by Hurricane Ivan in 2004 and Hurricanes Katrina and Rita in 2005.... Due to the shortage of available diving personnel and equipment capable of performing these services, we anticipate that hurricane-related repair projects will continue for the next several years.

## **Aging production infrastructure in the U.S. Gulf of Mexico**

According to the MMS, there are nearly 4,000 crude oil and natural gas production platforms in the U.S. Gulf of Mexico, of which approximately 60% are more than 15 years old, virtually all of the older platforms in the U.S. Gulf Mexico lie in water depths of 1,000 feet or less. These structures generally are subject to extensive periodic inspections and require frequent maintenance as mandated by various regulatory agencies. In addition to routine maintenance, the MMS requires detailed inspections of each production platform at least once every five years. As the age of the offshore infrastructure in the U.S. Gulf of Mexico increases, we anticipate that demand for inspection and repair services and platform and pipeline decommissioning projects will continue to increase.



Source: U.S. Department of the Interior, Minerals Management Service (March 2007).

### ***Increasing subsea development work***

In recent years, innovations in subsea completion and development technologies have made smaller offshore discoveries economically viable. Historically, the significant investment in production facilities and infrastructure required to develop and produce offshore reserves could be justified only for larger discoveries. Technological advancements in the industry have enabled crude oil and natural gas producers to develop smaller discoveries more economically using subsea completions with tie backs to existing infrastructure. According to Quest Offshore Resources, Inc., North American subsea production capital spending has increased from \$191.6 million in 2000 to \$397.8 million in 2005, representing a compound annual growth rate of 15.7%, and is expected to grow at a compound annual growth rate of 43.0% from 2005 through 2008, reaching \$1.2 billion in 2008. We ***also expect subsea development to become more prevalent on the outer continental shelf of the Gulf of Mexico*** as producers elect to replace structures toppled by recent hurricanes with subsea production systems.

23. In addition to the foregoing, the IPO Prospectus also reported on certain Industry Trends in the Deep Water and International markets. Unlike the

other market trends listed above, however, the IPO Prospectus did *not* discuss the Company's foreseeable plans for the development of the Deep Water and International markets. Regarding these additional markets, the IPO Prospectus stated, in part, the following:

***Increasing deepwater activity***

Crude oil and natural gas producers are increasingly focusing their efforts on more remote deepwater areas where geological formations have historically been less explored. Driven by technological innovations and an improved commodity price environment, deepwater activity has increased significantly in recent years. According to Douglas-Westwood Ltd., global spending in water depths greater than 500 meters has increased from \$8.6 billion in 2002 to \$14.7 billion in 2005, representing a compound annual growth rate of 19.6%, and is projected to grow by a compound annual growth rate of 9.2% from 2005 through 2010, reaching \$22.8 billion in 2010.

***Rising international offshore activity***

Many crude oil and natural gas producers have significant operations in international offshore regions with large untapped reserves, such as Southeast Asia, West Africa and the Middle East. In many international markets, significant production infrastructure work is required to develop new crude oil and natural gas discoveries. According to Spears & Associates, Inc., international offshore drilling and completion spending accounts for 70% of worldwide offshore drilling and completion spending and has increased from \$20.9 billion in 2000 to an estimated \$36.7 billion in 2006, representing a compound annual growth rate of 9.8%, and is expected to increase by a compound annual growth rate of 9.7% between 2006 and 2009, reaching \$48.4 billion in 2009.

A bar chart, prepared by *Spears & Associates*, in December 2006, also reported the same growth figures and was included in the Prospectus below the preceding excerpts.

24. The Strategies section of the IPO Prospectus did state, however, that the Company's "goal" was to *"enhance [its] strong market position on the outer continental shelf of the Gulf of Mexico and to pursue deepwater and international growth opportunities."* Thus, in pursuing a growth strategy that predominately focused on its core business while simultaneously developing expansion opportunities, the WO Prospectus stated, in part, the following:

***Our Strategies***

*Our goal is to enhance our strong market position on the outer continental shelf of the Gulf Mexico and to pursue deepwater and international growth opportunities. We intend to employ the following strategies to achieve our goal:*

***Capitalize on strong market conditions in the U.S. Gulf of Mexico***

We intend to continue capitalizing on the strong demand for our services related to increased crude oil and natural gas exploration and production activity and hurricane-related damage to pipelines and platforms in the U.S. Gulf of Mexico. Hurricane-related repair projects are expected to provide significant work for the subsea construction and commercial diving industry for the next several years.

***Expand our deepwater capabilities***

As demand for subsea construction services in the deepwater U.S. Gulf of Mexico continues to increase, we intend to expand our deepwater service capabilities in order to capitalize on business opportunities in this market. With the addition of two new work class ROVs in March 2007 and a third in the second quarter of 2007, we believe we are well-positioned to pursue subsea construction projects in the deepwater U.S. Gulf of Mexico. We recently were awarded contracts to perform subsea construction services using ROVs in water depths ranging from 2,300 to 6,000 feet, Our deepwater capabilities will expand further following the refurbishment and upgrade of the Superior Endeavour, which is expected to be completed in the second

quarter of 2007. In addition, we have entered into a contract for the construction of the Superior Achiever, which we expect to place in service in the second half of 2008. This vessel will provide a platform for deepwater projects and will position us well to benefit from the expected growth in this area. We may elect to purchase additional equipment for installation on the Superior Achiever that would enable it to provide most full-field development services, including deepwater small-diameter pipelay and umbilical installation.

***Expand breadth of services in core market***

We have placed the Gulmar Falcon, the Gulf Diver V, the Gulf Diver VI, the American Salvor, the Adams Surveyor and two ROVs in service since the beginning of 2006, and we expect to place the Gulmar Condor in service in the second quarter of 2007. Our addition of a 50-ton crane to the Superior Endeavour will enable us to further expand our services beginning in the second quarter of 2007. We expect to continue to identify and pursue joint venture and partnership opportunities that expand the services we offer on the outer continental shelf of the Gulf of Mexico.

***Pursue international growth opportunities***

We intend to selectively pursue growth opportunities, including acquisitions of complementary assets or companies that provide us a business platform in attractive international markets. For example, our recent acquisition of South Africa-based Subtech Diving and Marine will enhance our ability to provide services in international locations. We believe that developing a global presence would allow us to pursue opportunities with the highest returns at a given time. Moreover, we believe that the Superior Achiever will position us to expand internationally.

***Expand fabrication capabilities***

We intend to expand our fabrication capabilities in order to provide for in-house manufacturing of larger equipment and systems, enabling us to reduce our reliance on third-party suppliers and increase our ability to complete projects on a timely and cost-effective basis. These expanded capabilities also would allow us to offer more, services and products to our fabrication customers.

25. In addition to the foregoing, the IPO Prospectus also detailed the expected use of proceeds from the April 2007 Offering which was consistent with its purported plan to focus on core operations in the Gulf of Mexico, and its plan to expand its business and operations. Accordingly, the Prospectus described the purported "Use of Proceeds," in part, as follows:

### **USE OF PROCEEDS**

We estimate that the net proceeds to us from this offering, after deducting the underwriting discount and estimated expenses of the offering, will be approximately \$119.4 million. We will not receive any of the proceeds from any sale of shares of our common stock by the selling stockholders.

We intend to use the net proceeds of \$119.4 million from this offering to:

- repay, together with approximately \$44.0 million of the proceeds from our senior secured term loan held in a segregated account, \$111.1 million of outstanding borrowings under our senior secured term loan, including prepayment premium;
- repay approximately \$7.0 million of outstanding borrowings under our senior secured credit facility;
- retain approximately \$17.3 million for future capital expenditures, including progress payments relating to the construction of the Superior Achiever and the upgrade and refurbishment of the Gulf Diver IV; and
- pay a special cash dividend of \$28.0 million to our existing stockholders prior to the completion of this offering.

Pending these uses, we intend to invest the net proceeds in short-term, investment-grade, interest-bearing securities.

26. In addition to the foregoing, on May 5, 2007 - - less than 2 weeks after the close of the Company's IPO - Defendants also filed with the SEC, pursuant to Form

10-Q, a copy of Superior Offshore's interim financial results and report of operations for the first quarter which ended March 31, 2007. The 1Q 07 Form 10-Q stated, in part, the following:

(1) Organization and Basis of Presentation

The unaudited interim condensed consolidated financial statements included herein reflect the consolidated operations of Superior Offshore International, Inc., a Delaware corporation, and its wholly owned subsidiaries (collectively, the "Company"). The Company generates revenues primarily by providing subsea construction and commercial diving services to the crude oil and natural gas exploration and production and gathering and transmission industries operating on the outer continental shelf of the Gulf of Mexico. The Company's customers include most of the top 20 crude oil and natural gas producers and most of the top 20 gathering and transmission companies operating in that region.

\* \* \*

The Company's unaudited condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("U.S. ("GAAP") have been condensed or omitted. The Company believes that the presentations and disclosures herein are adequate to make the information not misleading. The unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the interim periods. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in the Company's Prospectus, dated April 19, 2007 and filed with the SEC on April 20, 2007 under Rule 424(b) of the Securities Act of 1933, relating to the Company's initial public offering (the "IPO Prospectus")... .

27. Important to investors, the Controls and Procedures which were purported to be in place at the time the 1Q 07 Form 10-Q was filed were also purported

to be in place at the time of the April 2007 IPO. As evidence of the foregoing, Defendants stated within the 1Q 07 Form 10-Q that there had been "no changes" in the financial reporting or in the operations of the Company during that quarter that required disclosure, as follows:

#### Item 4T. Controls and Procedures.

##### Evaluation of Disclosure Control and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of March 31, 2007. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2007, our disclosure controls and procedures were effective in providing reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

##### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

28. The 1Q 07 Form 10-Q also contained Certifications, signed by Defendants Mermis and Burks, which purported to attest to the accuracy, completeness, and transparency of the Company's reports and disclosures. As evidence of this, these Certifications stated, in part, the following:

## CERTIFICATION

1. I have reviewed this quarterly report on Form 10-Q of Superior Offshore International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 17, 2007

**/s/ JAMES J. MERMIS**

James J. Mermis

Chief Executive Officer

\* \* \*

Date: May 17, 2007

**/s/ ROGER D. BURKS**

Roger D. Burks

Chief Financial Officer

**CERTIFICATION  
REQUIRED BY RULE 13a-14(b) OR  
RULE 15d-14(b) AND 18 U.S.C. SECTION 1350  
(AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT  
OF 2002)**

I, James J. Mermis, as Chief Executive Officer of Superior Offshore International, Inc., (the "Company"), certify, pursuant to 18 U.S.C. §1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

(1) the accompanying Quarterly Report on Form 10-Q for the period ended March 31, 2007 (the "Report"), filed with the United States Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 17, 2007

**/s/ JAMES J. MERMIS**

James J. Mermis

Chief Executive Officer

**CERTIFICATION  
REQUIRED BY RULE 13a-14(h) OR  
RULE 15d-14(h) AND 18 U.S.C. SECTION 1350  
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY  
ACT OF 2002**

I, Roger D. Burks, as Chief Financial Officer of Superior Offshore International, Inc., (the "Company"), certify, pursuant to 18 U.S.C. §1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002), that to my knowledge:

(1) the accompanying Quarterly Report on Form 10-Q for the period ended March 31, 2007 (the "Report"), filed with the United States Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 17, 2007

**/s/ ROGER D. BURKS**

Roger D. Burks

Chief Financial Officer

29. What investors did not (and could not) know at the time of the April 2007 IPO, or during the remainder of the relevant period, was that the true but undisclosed negative conditions that existed at the time of the Superior Offshore

IPO, and that continued to adversely impact the Company after that time and throughout the relevant period, included, in part, the following:

(a) At the time of the IPO, the Company's core operations in the Gulf of Mexico were not operating according to plan, and Defendants were not able to meet internal milestones or projections, such that Superior Offshore was suffering from a material adverse impact that existed at that time and that would continue to exist throughout the relevant period;

(b) At the time of the IPO, as a result of Defendants' inability to grow the Company's core operations in the Gulf of Mexico, Defendants had already planned to "transition" the Company away from these declining operations and towards new, but untested markets - - such as Deep Water and International markets. In addition, as Defendants also failed to reveal deteriorating profit margins in its core, Gulf of Mexico operations were also wading and foreseeably would continue to erode Superior Offshore's already suffering gross margins, profits, and earnings;

(c) At the time of the IPO, and thereafter throughout the relevant period; Superior Offshore was suffering from significant control defects and deficiencies such that the Company did not maintain the minimum standards of good Corporate Governance or controls and procedures as is required by the SEC and the Company's own internal guidelines and standards of business conduct; and

(d) At the time of the April Offering, Defendants had *not* conducted an adequate due diligence investigation into Superior Offshore that would have revealed many of the material undisclosed problems that existed at that time, and that would most likely have prevented the sale of this Company to shareholders through the public equity markets at that time, or at the inflated price at which these shares were originally sold.

**THE TRUE FINANCIAL AND OPERATIONS CONDITION  
OF SUPERIOR OFFSHORE BEGINS TO BE BELATEDLY DISCLOSED**

30. On August 15, 2007, almost 850,000 shares of the Company traded - many times more than the stock's average trading volume - - and prices for Superior Offshore shares fell from a close of approximately \$13.50 per share, the prior day, to a trading low of \$11.34 per share, before trading even lower, to \$10.70 per share on continued high trading volume the following day, August 16, 2007. At that time, shares of the Company fell almost 40% below the April 2007 IPO Offering price after Defendants revealed, for the first time, that Superior Offshore's core operations were not performing according to plan and that Defendants had already embarked on a theretofore undisclosed plan of *"transforming Superior Offshore from a shallow water Gulf of Mexico contractor into an international and deepwater subsea construction and services company."*

31. As evidence of this, the Company's August 14, 2007 release stated, in part, the following:

"Over the past few months, we have been transforming Superior Offshore from a shallow water Gulf of Mexico contractor into an international and deepwater subsea construction and services company," said James J. Mermis, Superior Offshore's president and chief executive officer. "While second quarter results were clearly disappointing, these changes have created strong opportunities for revenue and margin growth."

32. The same day, August 15, 2007, as *TheStreet.com* reported on the stock market "winners and losers" of the day, it featured Superior Offshore, in part, as follows:

Superior Offshore (DEEP) was among the NASDAQ's losers Wednesday, tumbling 11% after the provider of underwater construction services posted disappointing second-quarter results and warned that full-year revenue would be below Wall Street's forecast.

The company reported a loss of \$10.8 million, or 50 cents a share, on revenue of \$41.8 million. Results included pretax charges that knocked earnings down by \$3.9 million, or 18 cents a share. Analysts polled by Thomson Financial expected earnings of 24 cents a share on revenue of \$58.8 million. During the year-earlier quarter, the company earned \$12.1 million, or 82 cents a share, on revenue of \$60.6 million.

Looking ahead, Superior Offshore sees full-year revenue of \$265 million to \$285 million. Analysts project revenue of \$294.3 million. Shares were down \$1.48 to \$11.98.

33. In an ill-fated effort to make up for the Company's revenue shortfall, weeks after announcing these disappointing results and *after* adjusting guidance downward, on October 23, 2007, Defendants also announced their intention to acquire a company called Ocean Flow International, in a stock based acquisition, valued at approximately \$15 million. That day, shares of the Company continued to trade at above \$11.00 per share. At the time this transaction was

announced, Defendants also stated that it was *part of the Company's "plan to transform Superior Offshore."*

34. The October 23, 2007 release again quoted Defendant Mermis, in part, as follows:

"The acquisition of Ocean Flow is an important strategic element of our plan to transform Superior Offshore into a world-class subsea construction and services firm," said Jim Mermis, Superior's chief executive officer. "This transaction will give Superior significantly greater strength and capabilities in deepwater construction, pipeline engineering and project management..."

35. On November 15, 2007, over 1.19 million shares of the Company traded - again, many times the stock's average trading volume - and prices for Superior Offshore shares fell from a close of approximately \$9.75 per share, the prior day, to a trading low of just over \$8.00 per share, before trading even lower, to just over \$6.50 per share on continued high trading volume of over 1.26 million shares the following day, November 16, 2007. By that time, shares of the Company had fallen almost 65% below the April 2007 IPO Offering price after Defendants revealed that the Company's core operations were performing even worse than previously disclosed on August 15, 2007, and because the Company was incapable of reporting its results on a timely basis.

36. Remarkably, the Company's November 15, 2007 release not only again revealed that the "transformation" of Superior Offshore was necessary to counteract the failure of the Company's core business, but Defendants finally admitted that the shallow water business in the Gulf of Mexico - - the Company's core operations - - was well behind plan and was expected to

continue to perform below projections in the foreseeable near term. As further evidence of this, the November 15, 2007 release also stated, in part, the following:

"Our transformation was further accelerated with our recently announced acquisition of Ocean Flow International, LLC, a subsea engineering and project management firm, which is expected to close by the end of November. The opening of our Dubai office and the addition of Ocean Flow will enable us to focus on complementary services and to offer a broader range of services to a broader range of customers, allowing us to compete for larger-scale projects with longer contract terms and higher margins.

\* \* \*

"As we move into 2008, we expect the continued weakness in the shallow water Gulf of Mexico to be offset by increased international and deep water work. The four-point market is still very challenging in the Gulf, and we are looking at potential opportunities to relocate those assets to international markets where they can realize higher utilization and pricing -- and we can get enhanced marketing exposure for Superior in these markets.....," concluded Mermis.

37. The same day, November 15, 2007, following the publication of these disastrous results, Defendants announced that the Company had appointed Defendant Persky to serve as Board Chairman, after Defendant Schaefer suddenly decided to "retire" and after he resigned from the Board of Directors, effective November 14, 2007. Prior to the unscheduled departure of Defendant Schaefer, Defendant Persky served as a director of Superior Offshore since April 2007 and as Lead Director and Chairman of the Audit Committee of the Board of Directors of the Company.

38. Following these belated disclosure, on November 16, 2007, the *Associated Press* reported, in part, the following:

## Superior Offshore Shares Plunge After 3rd-Quarter Filing Delay, Analyst Downgrade

NEW YORK (AP) -- Shares of Superior Offshore International Inc., which provides subsea construction and commercial diving services to the offshore oil and gas industry, plunged Friday after the company delayed filing its third-quarter financial statement.

On Friday, a Merrill Lynch analyst downgraded the Houston-based company's stock to "Neutral" from "Buy."

Superior Offshore shares dropped 77 cents, or 9 percent, to close at \$7.83, after plunging 24 percent to \$6.56 earlier in the session. The stock has dropped more than 40 percent since its initial public offering priced at \$15 in April.

In a Securities and Exchange Commission filing, Superior Offshore said the third-quarter filing was delayed as the company determines whether it is required to reclassify long-term debt as current debt.

Superior Offshore said the reclassification may be necessary under the terms of a waiver from a lender related to defaults on the company's senior secured term loan facility. The company is currently negotiating a term loan facility with another lender to refinance the facility.

\* \* \*

On Thursday, JPMorgan analyst David Smith noted that the earnings results fell short of Wall Street forecasts....

39. Despite Defendants' newly disclosed plans to transform the Company, as further evidence of Superior Offshore's precarious financial and operational condition, on December 20, 2007, Defendants revealed that the Company would be forced to sell the Superior Achiever - - the new deepwater construction and dive support vessel what had yet to even be delivered to the Company. According to Defendants, the sale of this vessel would produce over \$70 million in proceeds, \$55 million of which would be used to repay a term loan,

and reduce projected capital expenditures by over \$30 million during 2008. At the same time, Defendants also announced that they would not proceed with a previously announced, five-year \$80 million loan. Defendants provided no explanation how this sale or the termination of the \$80 million loan fit into the newly announced strategy of transforming the Company.

40. By January 9, 2008, shares of the Company fell to below \$4.00 each after Defendants revealed that they would be forced to withdraw guidance for full year 2008.

41. On January 28, 2008, the Company announced the unscheduled resignation of Defendant Mermis. At that time, Superior Offshore appointed Defendant Terry to serve as interim President and Chief Executive Officer.

42. The fact that Defendants revealed that they were engaged in a transformation or reorganization of the Company means that they were moving away from Superior Offshore's core business, or else the focus on Deep Water or International markets would have been a mere expansion, as Defendants continued to maintain and also expand the Company's core business. The revelation that Defendants were engaged in the transformation of the Company evidenced the failure of Superior Offshore's core business, and the requirement that Defendants move into new businesses at the expense of the Company's traditional, core business. This transformation, however, engenders significant risks that were not disclosed in the IPO Prospectus, and it was the increased risk

of this transformation and managements' inexperience in these markets, that ultimately causes the collapse of the Company.

43. Despite the considerable losses suffered by investors who purchased shares of the Company in, or traceable to, Superior Offshore's April 2007 IPO, insiders of the Company profited handsomely from the IPO and by selling tens of millions of dollars of their privately held Company stock, during the remainder of the relevant period, while in possession of material adverse non-public information about Superior Offshore. These sales included, in part, the following;

#### **INSIDER TRANSACTIONS REPORTED - During Class Period**

<b>DATE</b>	<b>INSIDER</b>	<b>SHARES</b>	<b>TRANSACTION</b>	<b>VALUE</b>
31-Dec-07	<u>PERSKY JAMES</u> Director	1,667	Disposition (Non Open Market) at \$5.02 per share.	\$8,368
31-Dec-07	<u>SMITH ERIC</u> Director	1,333	Disposition (Non Open Market) at \$5.02 per share.	\$6,691
31-Dec-07	<u>TERRY E DONALD</u> Director	2,000	Disposition (Non Open Market) at \$5.02 per share.	\$10,040
28-Dec-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	44,300	Disposition (Non Open Market) at \$5.35 - \$5.64 per share.	\$243,000
27-Dec-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	50,800	Disposition (Non Open Market) at \$5.53 - \$5.61per share.	\$283,000
6-Dec-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	35,685	Sale at \$6.45 - \$6.58 per share.	\$232,000
15-Nov-07	<u>MERMIS JAMES J</u> Officer	3,469	Sale at \$8.17 - \$8.84 per share.	\$30,000
15-Nov-07	<u>BURKS ROGER D</u> Officer	1,156	Sale at \$8.17 - \$8.84 per share.	\$9,831
15-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10%) or more	2,313	Sale at \$8.17 - \$8.84 per share.	\$20,000
14-Nov-07	<u>MERMIS JAMES J</u> Officer	2,481	Sale at \$9.23 - \$9.43 per share.	\$23,000

<b>DATE</b>	<b>INSIDER</b>	<b>SHARES</b>	<b>TRANSACTION</b>	<b>VALUE</b>
14-Nov-07	<u>MERMIS JAMES J</u> Officer	5,113	Sale at \$9.44 - \$9.88 per share.	\$49,000
14-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10%) or more	1,659	Sale at \$9.23 - \$9.43 per share.	15,000
14-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10%) or more	3,404	Sale at \$9.44 - \$9.88 per share.	\$33,000
14-Nov-07	<u>BURKS ROGER D</u> Officer	828	Sale at \$9.23 - \$9.43 per share.	\$7,725
14-Nov-07	<u>BURKS ROGER D</u> Officer	1,703	Sale at \$9.44 - \$9.88 per share.	\$16,000
13-Nov-07	<u>MERMIS JAMES J</u> Officer	5,625	Sale at \$8.91 - \$9.20 per share.	\$51,000
13-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10%) or more	3,750	Sale at \$8.91 - \$9.20 per share.	\$34,000
13-Nov-07	<u>BURKS ROGER D</u> Officer	1,875	Sale at \$8.91-\$9.20 per share.	\$17,000
12-Nov-07	<u>MERMIS JAMES J</u> Officer	5,529	Sale at \$8.90 - \$9.15 per share.	\$50,000
12-Nov-07	<u>MERMIS JAMES J</u> Officer	2,252	Sale at \$9.20 - \$9.44 per share.	\$21,000
12-Nov-7	<u>KOCH R JOSHUA</u> Beneficial Owner (10%) or more	3,689	Sale at \$8.90 - \$9.15 per share.	\$33,000
12-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10%) or more	1,499	Sale at \$9.20 - \$9.44 per share.	\$14,000
12-Nov-07	<u>BURKS ROGER D</u> Officer	1,842	Sale at \$8.90 - \$9.15 per share.	\$17,000
12-Nov-07	<u>BURKS ROGER D</u> Officer	752	Sale at \$9.20 - \$9.44 per share.	\$7,008
9-Nov-07	<u>MERMIS JAMES J</u> Officer	3,938	Sale at \$9.35 - \$9.59 per share.	\$37,000
9-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10%) or more	2,625	Sale at \$9.35 - \$9.59 per share.	\$25,000
9-Nov-07	<u>BURKS ROGER D</u> Officer	1,312	Sale at \$9.35 - \$9.59 per share.	\$12,000
8-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10%) or more	2,306	Sale at \$9.30 - \$9.50 per share.	\$22,000
8-Nov-07	<u>BURKS ROGER D</u> Officer	408	Sale at \$9.51 - \$9.60 per share.	\$3,898
8-Nov-07	<u>BURKS ROGER D</u> Officer	1,154	Sale at \$9.30 - \$9.50 per share.	\$11,000
8-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	819	Sale at \$9.51 - \$9.60 per share.	\$7,825

<b>DATE</b>	<b>INSIDER</b>	<b>SHARES</b>	<b>TRANSACTION</b>	<b>VALUE</b>
8-Nov-07	<u>MERMIS JAMES J</u> Officer	1,227	Sale at \$9.51 - \$9.60 per share	\$12,000
8-Nov-07	<u>MERMIS JAMES J</u> Officer	3,461	Sale at \$9.30 - \$9.50 per share.	\$33,000
7-Nov-07	<u>BURKS ROGER D</u> Officer	1,640	Sale at \$9.34 - \$9.69 per share.	\$16,000
7-Nov-07	<u>BURKS ROGER D</u> Officer	782	Sale at \$9.12 - \$9.33 per share.	\$7,213
7-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	3,281	Sale at \$9.34 - \$9.69 per share.	\$31,000
7-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	1,563	Sale at \$9.12 - \$9.33 per share.	\$14,000
7-Nov-07	<u>MERMIS JAMES J</u> Officer	4,926	Sale at \$9.34 - \$9.69 per share.	\$47,000
7-Nov-07	<u>MERMIS JAMES J</u> Officer	2,340	Sale at \$9.12 - \$9.33 per share.	\$22,000
6-Nov-07	<u>BURKS ROGER D</u> Officer	1,066	Sale at \$9.32 - \$9.68 per share.	\$10,000
6-Nov-07	<u>BURKS ROGER D</u> Officer	1,439	Sale at \$8.85 - \$9.31 per share.	\$13,000
6-Nov-07	<u>BURKS ROGER D</u> Officer	1,620	Sale at \$8.62 - \$8.84 per share.	\$14,000
6-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	2,119	Sale at \$9.32 - \$9.68 per share.	\$20,000
6-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	2,873	Sale at \$8.85 - \$9.31 per share.	\$26,000
6-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	3,258	Sale at \$8.62 - \$8.84 per share.	\$28,000
6-Nov-07	<u>MERMIS JAMES J</u> Officer	3,192	Sale at \$9.32 - \$9.68 per share.	\$30,000
6-Nov-07	<u>MERMIS JAMES J</u> Officer	4,312	Sale at \$8.85 - \$9.31 per share.	\$39,000
6-Nov-07	<u>MERMIS JAMES J</u> Officer	4,871	Sale at \$8.62 - \$8.84 per share.	\$43,000
5-Nov-07	<u>MERMIS JAMES J</u> Officer	2,623	Sale at \$9.31 - \$9.7 per share.	\$25,000
5-Nov-07	<u>MERMIS JAMES J</u> Officer	4,033	Sale at \$9.71 - \$10.10 per share.	\$40,000
5-Nov-07	<u>KOCH R. JOSHUA</u> Officer	1,749	Sale at \$9.31 - \$9.70 per share	\$17,000
2-Nov-07	<u>MERMIS JAMES J</u> Officer	2,624	Sale at \$10.10 - \$10.20 per share	\$27,000
2-Nov-07	<u>MERMIS JAMES J</u> Officer	1,220	Sale at \$10.21 - \$10.27 per share	\$12,000

<b>DATE</b>	<b>INSIDER</b>	<b>SHARES</b>	<b>TRANSACTION</b>	<b>VALUE</b>
2-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	149,567	Disposition (Non Open Market) at \$10.19 per share.	\$1,524,087
2-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	1,752	Sale at \$10.10 -\$10.20 per share.	\$18,000
2-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	811	Sale at \$10.21 -\$10.27 per share.	\$8,304
2-Nov-07	<u>BURKS ROGER D</u> Officer	407	Sale at \$10.21 -\$10.27 per share.	\$4,167
2-Nov-07	<u>BURKS ROGER D</u> Officer	874	Sale at \$10.10 -\$10.20 per share.	\$8,871
1-Nov-07	<u>MERMIS JAMES J</u> Officer	6,000	Sale at \$10.10 -\$10.45 per share.	\$62,000
1-Nov-07	<u>KOCH R JOSHUA</u> Beneficial Owner (10% or more)	4,000	Sale at \$10.10 -\$10.45 per share.	\$41,000
1-Nov-07	<u>BURKS ROGER D</u> Officer	2,000	Sale at \$10.10 -\$10.45 per share.	\$21,000
31-Oct-07	<u>MERMIS JAMES J</u> Officer	2,716	Sale at \$10.18 -\$10.27 per share.	\$28,000
31-Oct-07	<u>MERMIS JAMES J</u> Officer	2,580	Sale at \$10.27 -\$10.42 per share.	\$27,000
31-Oct-07	<u>MERMIS JAMES J</u> Officer	985	Sale at \$10.42 -\$10.45 per share.	\$10,000
31-Oct-07	<u>KOCH R JOSHUA</u> Officer	1,823	Sale at \$10.18-\$10.27 per share.	\$19,000
31-Oct-07	<u>KOCH R JOSHUA</u> Officer	1,711	Sale at \$10.27-\$10.42 per share.	\$18,000
31-Oct-07	<u>KOCH R JOSHUA</u> Officer	654	Sale at \$10.42-\$10.45 per share.	\$ 6,824
31-Oct-07	<u>BURKS ROGER D</u> Officer	900	Sale at \$10.18-\$10.27 per share.	\$ 9,202
31-Oct-07	<u>BURKS ROGER D</u> Officer	864	Sale at \$10.27-\$10.42 per share.	\$ 8,938
31-Oct-07	<u>BURKS ROGER D</u> Officer	330	Sale at \$10.42-\$10.45 per share.	\$ 3,443
30-Oct-07	<u>MERMIS JAMES J</u> Officer	3,843	Sale at \$10.21-\$10.52 per share.	\$40,000
30-Oct-07	<u>MERMIS JAMES J</u> Officer	704	Sale at \$10.53-\$10.75 per share.	\$7,490
30-Oct-07	<u>KOCH R JOSHUA</u> Officer	2,564	Sale at \$10.21-\$10.52 per share.	\$27,000
30-Oct-07	<u>KOCH R JOSHUA</u> Officer	467	Sale at \$10.53-\$10.75 per share.	\$ 4,968
30-Oct-07	<u>BURKS ROGER D</u> Officer	1,282	Sale at \$10.21-\$10.52 per share.	\$13,000
30-Oct-07	<u>BURKS ROGER D</u> Officer	234	Sale at \$10.53-\$10.75 per share.	\$ 2,489

<b>DATE</b>	<b>INSIDER</b>	<b>SHARES</b>	<b>TRANSACTION</b>	<b>VALUE</b>
29-Oct-07	<u>MERMIS JAMES J</u> Officer	4,687	Sale at \$10.50-\$10.81 per share.	\$ 50,000
29-Oct-07	<u>KOCH R JOSHUA</u> Officer	3,125	Sale at \$10.50-\$10.81 per share.	\$33,000
29-Oct-07	<u>BURKS ROGER D</u> Officer	1,563	Sale at \$10.50-\$10.81 per share.	\$17,000
26-Oct-07	<u>MERMIS JAMES J</u> Officer	6,235	Sale at \$10.31-\$10.58 per share.	\$65,000
26-Oct-07	<u>KOCH R JOSHUA</u> Officer	4,155	Sale at \$10.31-\$10.58 per share.	\$ 43,000
26-Oct-07	<u>BURKS ROGER D</u> Officer	2,078	Sale at \$10.31-\$10.58 per share.	\$ 22,000
25-Oct-07	<u>MERMIS JAMES J</u> Officer	8,515	Sale at \$10.31-\$10.81 per share.	\$ 90,000
25-Oct-07	<u>MERMIS JAMES J</u> Officer	969	Sale at \$10.27-\$10.30 per share.	\$ 9,966
25-Oct-07	<u>KOCH R JOSHUA</u> Officer	5,677	Sale at \$10.31-\$10.81 per share.	\$ 60,000
25-Oct-07	<u>KOCH R JOSHUA</u> Officer	645	Sale at \$10.27-\$10.30 per share.	\$ 6,633
25-Oct-07	<u>BURKS ROGER D</u> Officer	323	Sale at \$10.27-\$10.30 per share.	\$ 3,322
25-Oct-07	<u>BURKS ROGER D</u> Officer	2,838	Sale at \$10.31-\$10.81 per share.	\$ 30,000
25-Apr-07	<u>SCHAEFER LOUIS E</u> Officer	1,725,000	Sale at \$15 per share.	\$25,875,000
25-Apr-07	<u>SCHAEFER LOUIS E</u> Officer <u>SCHAEFER HOLDINGS, LP</u> Beneficial Owner (10% or more)	1,300,000	Sale at \$15 per share.	\$19,500,000

### **CAUSATION AND ECONOMIC LOSS**

44. In connection with the April 2007 Superior Offshore IPO, Defendants signed a materially false and misleading Registration Statement and filed with the SEC and made available to shareholders a materially false and misleading Prospectus. These filings were essential in allowing Defendants to complete the Initial Public Offering of 11.6 million Superior Offshore shares and raise approximately \$175 million, and to create a public market for trading in Company stock, immediately thereafter. Beginning on August 15, 2007, however, when Defendants' prior

misrepresentations and illegal and improper conduct began to come to be revealed and began to become apparent to investors, shares of Superior Offshore declined precipitously — evidence that the prior artificial inflation in the price of Company shares was eradicated. As a result of their purchases of Superior Offshore stock in connection with the IPO, including those who purchase shares traceable to the Offering in the public markets immediately thereafter, Plaintiff and other members of the Class suffered economic losses, *i.e.*, damages under the federal securities laws.

45. By improperly characterizing the Company's operational results and misrepresenting its financial prospects, the Defendants presented a misleading image of Superior Offshore' business and future growth prospects. Within the IPO Prospectus and Registration Statement, Defendants repeatedly emphasized the success and foreseeable continued profitability of the Company's core operations in the Gulf of Mexico, and Defendants failed to reveal that the Company was not able to meet internal milestones or projections, such that Superior Offshore was suffering from a material adverse impact that existed at that time and that would continue to exist through the relevant time period. Moreover, as a result of Defendants' inability to grow the Company's core operations in the Gulf of Mexico, Defendants had already planned to "transition" the Company away from these declining operations and towards new, but untested markets – such as Deep Water and International markets. These material misstatements and omissions caused and maintained the artificial inflation in Superior Offshore's stock at the time of the April 2007

IPO, and thereafter until the truth about the Company was ultimately revealed to investors.

46. Defendants' false and materially misleading statements caused Superior Offshore shares to trade at artificially inflated levels from the time of the IPO, when they were offered at \$15.00 per share, during the remainder of the relevant period as shares continued to trade at artificially inflated prices.

47. In mid-August 2007 and in mid-November 2007, however, as investors learned the truth about the Company, and after they learned that Defendants could not operate the Company according to plan, and that they would be forced to entirely reorganize Superior Offshore's business and operations, shares of the Company collapsed. Defendants' belated disclosures had an immediate, adverse impact on the price of Superior Offshore shares.

48. These belated revelations also evidenced Defendants' prior misrepresentation of Superior Offshore's business prospects due to Defendants' false statements. As investors and the market ultimately learned, the Company's prior business prospects had been overstated as were the Company's results of operations. As this adverse information became known to investors, the prior artificial inflation was immediately eliminated from Superior Offshore's share price, and shareholders were damaged as a result of this related share price decline.

49. As a direct result of investors learning the truth about the Company, in mid-August and mid-November 2007, Superior Offshore' stock

price collapsed to below \$4.00 per share - - well below the IPO Offering price of \$15.00 per share. This dramatic share price decline eradicated much of the artificial inflation from Superior Offshore's share price, causing real economic loss to investors who purchased this stock in, or in connection with, the Superior Offshore IPO.

50. The decline in Superior Offshore's stock price following the revelation of Defendants' belated disclosures in August and November 2007, was a direct result that the nature and extent of Defendants' misrepresentations and omissions contained in the IPO Prospectus became known to investors, and to the market. The timing and magnitude of Superior Offshore's stock price decline following that time negates any inference that the losses suffered by Plaintiff and the other members of the Class were caused by changed market conditions, macroeconomic or industry factors or even Company-specific facts unrelated to Defendants' conduct. During the same period in which Superior Offshore's share price fell over 70% as a result of Defendants' misrepresentations and omissions being revealed, the Standard & Poor's 500 securities index was relatively unchanged.

51. The economic loss, *i.e.*, damages suffered by Plaintiff and other members of the Class, was a direct result of Defendants' misrepresentations and omissions being belatedly revealed to investors, and the subsequent significant decline in the value of the Company's shares was also the direct result of Defendants' prior misstatements and omissions being revealed.

## **CLASS ACTION ALLEGATIONS**

52. This is a class action on behalf of all persons who purchased Superior Offshore shares, or traceable stock, pursuant to the April 2007 Registration Statement and Prospectus (the "Class"), excluding Defendants. Class members are so numerous that joinder of them all is impracticable.

53. Common questions of law and fact predominate and include whether Defendants: (i) violated the Securities Act; (ii) whether the Superior Offshore IPO Registration Statement and Prospectus misrepresented material facts; and (iii) the extent of and appropriate measure of damages.

54. Plaintiffs' claims are typical of those of the Class. Prosecution of individual actions would create a risk of inconsistent adjudications. Plaintiff will adequately protect the interests of the Class A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

## **CLAIM FOR RELIEF**

### **For Violations of §11 of the Securities Act Against All Defendants and §15 of the Securities Act Against Individual Defendants**

55. Plaintiff incorporates each and every allegation above as if stated herein.

56. The Individual Defendants each signed Superior Offshore's IPO Registration Statement and/or filed that Prospectus with the SEC and distributed it to investors. The Underwriter Defendants each permitted their names to be included on the cover of the Prospectus as the Underwriters.

57. On or about April 20, 2007, the Defendants named in this Claim for Relief commenced an IPO of approximately 11.6 million shares of Superior Offshore stock — including the 1.666 million shares allotted to Underwriters in an oversubscription option - - at \$15.00 per share, for total proceeds of at least \$178,000,000.

58. Each of the statements alleged herein relating to Superior Offshore's prospects and financial results made in the April 2007 Prospectus and Registration Statement were false or misleading when issued. The true but concealed facts were that, at the time of the IPO, the Company's core operations in the Gulf of Mexico were not operating according to plan, and Defendants were not able to meet internal milestones or projections, such that Superior Offshore was suffering from a material adverse impact that existed at that time and that would continue to exist throughout the relevant period, and as a result of Defendants' inability to grow the Company's core operations in the Gulf of Mexico, Defendants had already planned to "transition" the Company away from these declining operations and towards new, but untested markets — such as Deep Water and International markets. These material misstatements and omissions were a violation of SEC Regulation S-K, Item 303(a), which requires that trends which will have a material effect on a registrant's results be disclosed.

59. All Defendants named in this Claim for Relief, with the exception of Superior Offshore, the issuer (whose liability for the misstatements is absolute), owed to the purchasers of the stock, including Plaintiff and the Class, the duty to

make a reasonable and diligent investigation of the statements contained in the Registration Statement and Prospectus at the time it became effective, to assure that those statements were true and that there was no omission to state material facts required to be stated in order to make the statements contained therein not misleading.

60. The officers and directors of Superior Offshore who were signatories to the Registration Statement and the Underwriter Defendants were responsible for the preparation of the Prospectus and the Registration Statement. By virtue of the material misrepresentations contained in the Registration Statement and Prospectus, Plaintiff and the Class have been damaged.

61. By reason of the conduct herein alleged, each Defendant named in this Claim for Relief violated §11 of the Securities Act. By reason of their stock ownership and positions with Superior Offshore, Defendants were also controlling persons of Superior Offshore and are liable under §15 of the Securities Act.

### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

2. Determine that this action is a proper class action, designating a plaintiff as Lead Plaintiff and certifying a plaintiff as the class representative under Rule 23 of the Federal Rules of Civil Procedure and plaintiff's counsel as Lead Counsel;

3. Awarding compensatory damages in favor of all plaintiffs and the other Class members against Defendants for all damages sustained as a result

of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

4. Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

5. Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

Dated: February 29, 2008.

s/William B. Federman

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