

TRAILER BRIDGE INC

FORM 10-Q (Quarterly Report)

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Address	10405 NEW BERLIN ROAD EAST JACKSONVILLE, FL 32226
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 0-22837

TRAILER BRIDGE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

13-3617986
(I.R.S. Employer
Identification No.)

10405 New Berlin Road East
Jacksonville, FL 32226
(Address of Principal Executive Offices)

32226
(Zip Code)

(904) 751-7100
(Registrant's Telephone Number, Including Area Code)

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

As of November 5, 2008, 11,937,921 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

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**TRAILER BRIDGE, INC.
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008**

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PART I: FINANCIAL INFORMATION

TRAILER BRIDGE, INC. CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
OPERATING REVENUES	\$35,413,471	\$28,229,658	\$99,720,978	\$84,625,752
OPERATING EXPENSES:				
Salaries, wages, and benefits	4,445,122	4,153,593	13,034,880	12,483,075
Purchased transportation and other rents	9,033,758	7,068,435	25,292,014	20,085,793
Fuel	7,648,613	4,810,756	22,888,206	12,326,935
Operating and maintenance (exclusive of depreciation & dry-docking shown separately below)	6,659,483	5,601,306	19,097,626	16,780,212
Dry-docking	—	—	236,525	4,544
Taxes and licenses	136,725	120,625	414,540	308,537
Insurance and claims	794,760	779,397	2,333,955	2,392,001
Communications and utilities	197,540	195,083	576,981	503,138
Depreciation and amortization	1,537,069	1,404,948	4,615,048	4,116,951
Loss on sale of assets	17,193	14,513	109,350	65,595
Other operating expenses	2,332,923	1,309,184	5,610,738	3,770,223
	<u>32,803,186</u>	<u>25,457,840</u>	<u>94,209,863</u>	<u>72,837,004</u>
OPERATING INCOME	2,610,285	2,771,818	5,511,115	11,788,748
NONOPERATING (EXPENSE) INCOME:				
Interest expense	(2,584,466)	(2,532,489)	(7,759,277)	(7,695,456)
Interest income	44,816	134,290	130,572	498,691
INCOME (LOSS) BEFORE (PROVISION) BENEFIT FOR INCOME TAXES	70,635	373,619	(2,117,590)	4,591,983
(PROVISION) BENEFIT FOR INCOME TAXES	(36,191)	(8,806)	215	(4,775,259)
NET INCOME (LOSS)	<u>\$ 34,444</u>	<u>\$ 364,813</u>	<u>\$ (2,117,375)</u>	<u>\$ (183,276)</u>
PER SHARE AMOUNTS:				
NET INCOME (LOSS) PER SHARE BASIC	<u>\$ 0.00</u>	<u>\$ 0.03</u>	<u>\$ (0.18)</u>	<u>\$ (0.02)</u>
NET INCOME (LOSS) PER SHARE DILUTED	<u>\$ 0.00</u>	<u>\$ 0.03</u>	<u>\$ (0.18)</u>	<u>\$ (0.02)</u>
WEIGHTED AVERAGE				
SHARES OUTSTANDING BASIC	<u>11,937,921</u>	<u>11,914,544</u>	<u>11,937,701</u>	<u>11,851,391</u>
SHARES OUTSTANDING DILUTED	<u>12,334,543</u>	<u>12,471,300</u>	<u>11,937,701</u>	<u>11,851,391</u>

See accompanying notes to condensed unaudited financial statements

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TRAILER BRIDGE, INC. CONDENSED BALANCE SHEETS (Unaudited)

	September 30, 2008	December 31, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,467,244	\$ 1,932,535
Trade receivables, less allowance for doubtful accounts of \$539,301 and \$1,010,341	19,224,247	15,794,534
Prepaid and other current assets	2,756,139	2,719,522
Deferred income taxes, net	251,816	202,001
Total current assets	25,699,446	20,648,592
Property and equipment, net	89,929,951	93,762,574
Other assets	7,949,914	8,435,280
TOTAL ASSETS	<u>\$123,579,311</u>	<u>\$122,846,446</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (CAPITAL DEFICIT)		
Current Liabilities:		
Accounts payable	\$ 5,865,398	\$ 6,918,764
Accrued liabilities	9,422,873	5,961,347
Unearned revenue	1,142,083	446,774
Current portion of long-term debt	2,192,410	2,008,220
Total current liabilities	18,622,764	15,335,105
Long-term debt, less current portion	105,379,655	106,098,506
TOTAL LIABILITIES	<u>124,002,419</u>	<u>121,433,611</u>
Commitments and contingencies		
Stockholders' Equity (Capital Deficit):		
Preferred stock, \$.01 par value, 1,000,000, shares authorized; no shares issued or outstanding	—	—
Common stock, \$.01 par value, 20,000,000 shares authorized; 11,937,921 and 11,931,564 shares issued and outstanding	119,379	119,316
Additional paid-in capital	53,358,012	53,076,644
Deficit	(53,900,499)	(51,783,125)
TOTAL STOCKHOLDERS' EQUITY (CAPITAL DEFICIT)	<u>(423,108)</u>	<u>1,412,835</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (CAPITAL DEFICIT)	<u>\$123,579,311</u>	<u>\$122,846,446</u>

See accompanying notes to condensed unaudited financial statements

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TRAILER BRIDGE, INC. CONDENSED STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, (Unaudited)

	2008	2007
Operating activities:		
Net loss	\$(2,117,375)	\$ (183,276)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,615,048	4,113,768
Amortization of loan costs	553,530	571,233
Non-cash stock compensation expense	299,701	245,559
Provision for doubtful accounts	563,470	1,215,208
Deferred tax (benefit) expense	(49,815)	4,775,259
Loss on sale of property and equipment	109,350	65,595
Increase in:		
Trade receivables	(3,993,183)	(542,853)
Prepaid and other current assets	(44,061)	(359,180)
Other assets	(47,538)	(262,996)
Increase (decrease) in:		
Accounts payable	(1,084,947)	(381,276)
Accrued liabilities	3,461,527	1,389,707
Unearned revenue	695,309	298,711
Net cash provided by operating activities	<u>2,961,016</u>	<u>10,945,459</u>
Investing activities:		
Purchases of property and equipment	(1,047,479)	(13,820,699)
Proceeds from sale of property and equipment	171,876	230,296
Additions to other assets	(36,799)	(261,325)
Net cash used in investing activities	<u>(912,402)</u>	<u>(13,851,728)</u>
Financing activities:		
Cash proceeds from note payable	1,339,290	—
Payments on borrowing from affiliate	—	(659,362)
Exercise of stock options	(18,269)	243,077
Principal payments on notes payable	(1,834,926)	(1,208,902)
Net cash used in financing activities	<u>(513,905)</u>	<u>(1,625,187)</u>
Net increase (decrease) in cash and cash equivalents	1,534,709	(4,531,456)
Cash and cash equivalents, beginning of the period	1,932,535	6,909,885
Cash and cash equivalents, end of period	<u>\$ 3,467,244</u>	<u>\$ 2,378,429</u>
Supplemental cash flow information and non-cash investing and financing activities:		
Cash paid for interest	<u>\$ 6,112,705</u>	<u>\$ 6,061,392</u>

See accompanying notes to condensed unaudited financial statements

TRAILER BRIDGE, INC.
NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 and 2007

1. BASIS OF PRESENTATION

The accompanying unaudited condensed financial statements include all adjustments, consisting of normal recurring accruals, which Trailer Bridge, Inc. (the “Company”) considers necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. The financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission to Form 10-Q and, therefore, do not include all information and footnotes normally required by accounting principles generally accepted in the United States of America for annual financial statements. For further information, refer to the Company’s audited financial statements for the year ended December 31, 2007 included in the Form 10-K filed by the Company with the Securities and Exchange Commission. The results of operations for any interim period are not necessarily indicative of the results to be expected for the full year.

Certain prior period’s amounts in the financial statements have been reclassified to conform to current year’s presentation.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (“SFAS”) No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*,” providing companies with an option to report selected financial assets and liabilities at fair value. SFAS 159’s objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. United States generally accepted accounting principles has required different measurement attributes for different assets and liabilities that can create artificial volatility in earnings. SFAS 159 helps to mitigate this type of accounting-induced volatility by enabling companies to report related assets and liabilities at fair value, which would likely reduce the need for companies to comply with detailed rules for hedge accounting. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the company’s choice to use fair value on its earnings. It also requires entities to display the fair value of those assets and liabilities for which it has chosen to use fair value on the face of the balance sheet. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 had no material impact on the Company’s financial statements.

In September 2006, the FASB issued SFAS No. 157, “*Fair Value Measurements*.” This statement establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. SFAS 157 defines fair value as “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.” For the Company, SFAS 157 is effective for the fiscal year beginning after November 15, 2007; however, the FASB has deferred the implementation of the provision of SFAS 157 relating to nonfinancial assets and liabilities until January 1, 2009. The adoption of certain provisions of SFAS 157, which went into effect January 1, 2008, did not have a material impact on the Company’s financial statements.

In May 2008, the FASB issued SFAS No. 162, “*The Hierarchy of Generally Accepted Accounting Principles*.” SFAS 162 identifies the sources of accounting principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States for non-governmental entities. SFAS 162 is effective 60 days following approval by the Securities and Exchange Commission of the Public Company Accounting Oversight Board’s amendments to AU Section 411, “The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles.” The adoption of SFAS 162 did not have a material impact on the Company’s financial statements.

3. STOCK BASED COMPENSATION

During the three month periods ended September 30, 2008 and 2007 the Company recorded approximately \$99,900 and \$82,589, respectively, and \$299,700 and \$245,559, respectively for the nine month periods ended September 30, 2008 and 2007 of compensation cost relating to previously issued options. These costs are recorded in salaries, wages and benefits in the Condensed Unaudited Statements of Operations. As of September 30, 2008, the total compensation expense not yet recognized in the Condensed Unaudited Statement of Operations was approximately \$1.0 million and is expected to be recognized over a period of 5 years.

During the nine months ended September 30, 2008 and 2007, 6,357 and 133,339 options were exercised, respectively. On January 9, 2008, the Company granted options to purchase 96,500 shares of the Company’s common stock under the Company’s Incentive Stock Plan. The assumptions used to calculate the fair value of those options (\$5.49 per share), using the Black-Scholes method are listed below. There were no options granted during the three months ended September 30, 2008 and 2007.

TRAILER BRIDGE, INC.
NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 and 2007

Expected Term	6.5 years
Volatility	45.98%
Risk-free interest rate	3.40%
Dividends	None

Earnings per share – Options to purchase 1,096,250 shares of the Company’s common stock during the three and nine-month periods ended September 30, 2008 were excluded from the calculation of diluted earnings per share because their effect would be anti-dilutive. Options to purchase 1,087,201 shares of the Company’s common stock during the three and nine-month periods ended September 30, 2007 were excluded from the calculation of diluted earnings per share because their effect would be anti-dilutive.

4. INCOME TAXES

The American Jobs Creation Act of 2004 instituted an elective tonnage tax regime whereby a corporation may elect to pay a tonnage tax based upon the net tonnage of its qualifying U.S. flag vessels rather than the traditional U.S. corporate income tax on the taxable income from such vessels and related inland service. The Company has determined that its marine operations and inland transportation related to marine operations qualify for the tonnage tax. In the second quarter of 2007, the Company completed its analysis of the impact of making the election to be taxed under the tonnage tax regime. The analysis illustrated that using the tonnage tax method would reduce the Company’s cash outlay related to federal income taxes; for federal tax purposes, the Company can satisfy only 90% of its AMT (Alternative Minimum Taxable) income with its net operating loss carryforwards (NOL) and, therefore, results in a much larger cash outlay in comparison to the required payments associated with the tonnage tax regime. As a result of this analysis, the Company elected to be taxed under the tonnage tax regime on its 2007 federal tax return. The federal tax expense related to the third quarter of 2008 under the tonnage tax method is estimated to be approximately \$6,800 which can not be offset by the Company’s existing NOL’s because under the tonnage tax regime federal NOL’s related to qualifying shipping activities will not be available to offset any related tonnage tax. As a result it is more likely than not that the Company will not be able to utilize its federal deferred tax asset. Therefore, during the second quarter of 2007, the deferred tax asset was adjusted by approximately \$4.6 million to reflect this limitation. The remaining deferred tax asset of \$251,816 represents the state portion of the Company’s deferred tax asset. The Company’s research of the tonnage tax suggests that states do not recognize the tonnage tax and, therefore, NOL’s related to state qualifying shipping income will not be suspended.

The Company adopted FASB Interpretation No. 48, “ *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement 109*,” (“FIN 48”) in the first quarter of 2007. FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. Under FIN 48, an entity may only recognize or continue to recognize tax positions that meet a “more likely than not” threshold. In the ordinary course of business there is inherent uncertainty in quantifying the Company’s income tax positions. The Company assesses its income tax positions and records tax benefits for all years subject to examination based on management’s evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, the Company has recognized the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the Company’s financial statements.

As a result of the implementation of FIN 48, the Company performs a review of its uncertain tax positions in accordance with FIN 48 and has concluded that there were no significant adjustments required related to uncertain tax positions.

The Company files income tax returns in the U.S. federal jurisdiction and each state jurisdiction in which it operates which imposes an income tax. The Company has not been subject to Internal Revenue Service (IRS) examination of its federal income tax returns. The Company is not currently involved in any state income tax examination.

TRAILER BRIDGE, INC.
NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008 and 2007

5. SEGMENTS

The Company's primary business is to transport freight from its origination point in the continental United States to San Juan, Puerto Rico and Puerto Plata, Dominican Republic and from San Juan, Puerto Rico and Puerto Plata, Dominican Republic to its destination point in the continental United States. The Company provides a domestic trucking system and a barge vessel system, which work in conjunction with each other to service its customers.

While each of the services that the Company performs related to the transportation of goods may be considered to be separate business activities, the Company does not capture or report these activities separately because all activities are considered part of the Company's "Intermodal Model" for providing customer service. Intermodal is a term used to represent the variety of transportation services the Company provides to move products from one location to another, including but not limited to air, water, land and rail. The Company provides intermodal services to its customers to and from the continental United States, San Juan, Puerto Rico and Puerto Plata, Dominican Republic. Customers are billed for the transportation of goods from the point of origin to the final destination, and are not billed separately for inland or marine transportation. Revenue related to the Dominican Republic service, which commenced in August 2007, was approximately \$2.2 million and \$4.4 million for the three and nine months ended September 30, 2008. Revenue related to the Dominican Republic service was approximately \$100,000 for the three months ended September 30, 2007.

6. COMMITMENTS AND CONTINGENCIES

On April 17, 2008, the Company received a subpoena from the Antitrust Division of the U.S. Department of Justice (the "DOJ") seeking documents and information relating to a grand jury investigation of alleged anti-competitive conduct by Puerto Rico ocean carriers. Company representatives have met with United States Justice Department attorneys and pledged the Company's full and complete cooperation with the DOJ investigation. The Company has made document submissions to the DOJ in response to the subpoena, and its attorneys are in the process of reviewing documents for additional submissions.

On October 20, 2008, four senior officers of two competitors of the Company pled guilty to a one-count felony criminal information. They were charged with having engaged in a criminal conspiracy to suppress or eliminate competition in the Puerto Rico freight market, including engaging in discussions and meetings during which agreements were reached to allocate customers, rig bids, and fix rates, surcharges, and other fees charged to customers. Each of the two competitors had an officer plead guilty to a felony affecting at least one billion dollars in revenue.

Following publicity about the DOJ investigation, beginning on April 22, 2008, shippers in the Puerto Rico trade lane have filed at least 30 purported class actions against domestic ocean carriers, including Horizon Lines, Sea Star Lines, and Crowley. The Company has been named as a co-defendant in these lawsuits. The actions allege that the defendants inflated prices in violation of federal antitrust laws and seek treble damages, attorneys' fees and injunctive relief. The actions, which were filed in the United States District Court for the Southern District of Florida, the United States District Court for the Middle District of Florida, and the United States District Court for the District of Puerto Rico, have been consolidated for pretrial purposes into a single multi-district litigation proceeding (MDL 1962) in the District Court of Puerto Rico. The current scheduling order requires the plaintiffs' steering committee to file a consolidated amended complaint in early December 2008.

The DOJ investigation is a criminal investigation, and the parallel class actions by civil litigants seek remedies that include treble damages. The Company is cooperating fully with the DOJ and intends to defend itself vigorously against the class actions. Significant legal fees and costs are expected to be incurred in connection with the DOJ investigation and the class actions. During the third quarter of 2008, these costs were approximately \$921,000.

The Company is not able to predict the ultimate outcome or cost of the DOJ investigation and class actions.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

RESULTS OF OPERATIONS:

EXECUTIVE SUMMARY

Trailer Bridge, Inc. (the "Company") earns revenue by the movement of freight by water to and from Puerto Rico, the Dominican Republic and the continental United States through its terminal facility in Jacksonville, Florida. Service to the Dominican Republic commenced in August 2007. The Company also earns revenue from the movement of freight within the continental United States when such movement complements its core business of moving freight to and from Puerto Rico and the Dominican Republic. The Company's operating expenses consist of the cost of the equipment, labor, facilities, fuel, inland transportation and administrative support necessary to move freight to and from Puerto Rico, the Dominican Republic and within the continental United States.

Three Months Ended September 30, 2008 Compared to the Three Months Ended September 30, 2007

For the three month period ending September 30, 2008, the Company had net income of approximately \$34,000 compared to net income of approximately \$365,000 in the same period of the prior year. The Company's operating income for the three month period ended September 30, 2008 was \$2.6 million compared to operating income of \$2.8 million in the same period of the previous year.

The following table sets forth the indicated items as a percentage of net revenues for three months ended September 30, 2008 and 2007:

Operating Statement - Margin Analysis (% of Operating Revenues)

	Three Months Ended September 30,	
	2008	2007
Operating revenues	100.0%	100.0%
Salaries, wages, and benefits	12.6	14.7
Purchased transportation and other rents	25.5	25.0
Fuel	21.6	17.0
Operating and maintenance (exclusive of depreciation shown separately below)	18.8	19.8
Taxes and licenses	0.4	0.4
Insurance and claims	2.2	2.8
Communications and utilities	0.6	0.7
Depreciation and amortization	4.3	5.0
Other operating expenses	6.6	4.8
Total operating expenses	92.6	90.2
Operating income	7.4	9.8
Net interest expense	(7.3)	(8.5)
Net income	0.1%	1.3%

The Company's operating ratio, or operating expenses expressed as a percentage of revenue, deteriorated slightly from 90.2% of revenues during the three months ended September 30, 2007 to 92.6% of revenues during the three months ended September 30, 2008. The decline in operating income and the resulting declined operating ratio are primarily due to increased fuel costs and unusually high legal expenses associated with the U.S. Department of Justice investigation into pricing practices among Puerto Rico carriers and parallel class actions.

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Revenues

The following table sets forth, by percentage and dollar, the changes in the Company's revenue by sailing route and freight carried:

Volume & Revenue Changes in the third quarter of 2008 compared to 2007

	<u>Overall</u>	<u>Southbound</u>	<u>Northbound</u>
Volume Percent Change:			
Core container & trailer	20.3%	19.6%	22.6%
Auto and other cargos	30.7%	38.0%	(20.8)%
SOLs (Shipper Owned Equipment Loads)	(34.2)%	(29.7)%	(62.1)%
Revenue Change (\$millions):			
Core container & trailer	\$ 3.5	\$ 2.5	\$ 1.0
Auto and other cargos	0.6	0.7	(0.1)
SOLs (Shipper Owned Equipment Loads)	(0.2)	(0.2)	(0.0)
Other Revenues	<u>3.3</u>		
Total Revenue Change	\$ 7.2		

Vessel capacity utilization on the core continental U.S. to Puerto Rico traffic lane was 92.9% for the three months ended September 30, 2008 compared to 80.1% for the three months ended September 30, 2007. Southbound and northbound container and trailer volume increased as a result of the new Dominican Republic service which began in August 2007. The increase in southbound auto volume was related primarily to used cars transported to the Dominican Republic. The Company expects southbound auto volume to continue to increase.

Total revenue for the three months ended September 30, 2008 was \$35.4 million, an increase of 25.4% compared to \$28.2 million for the three months ended September 30, 2007. The increase in revenue was due to increased volume as a result of the Dominican Republic service and increased volume to Puerto Rico. The Company's fuel surcharge is included in the Company's revenues and amounted to \$7.9 million during the three months ended September 30, 2008 compared to \$4.3 million in the three months ended September 30, 2007. Excluding the effect of the fuel surcharge, revenue increased 15.0% from the prior year period. Net demurrage, a charge assessed for failure to return empty freight equipment on time less a demurrage related allowance for bad debt, is also included in the Company's revenues and amounted to \$0.2 million during the three months ended September 30, 2008 compared to \$0.5 million in the three months ended September 30, 2007. Total charterhire revenue amounted to \$1.2 million during the three months ended September 30, 2008 compared to \$0.4 million in the three months ended September 30, 2007 due to an improved vessel charter market. Charterhire is rental revenue for vessels not in use in liner service. Security charges are charges to cover the Company's expenses beyond the normal security required to ensure the safety of the shipper's cargo. These charges amounted to \$0.6 million during the three months ended September 30, 2008 and 2007. Revenue related to the Dominican Republic service, which commenced in August 2007, was approximately \$2.2 million for the three months ended September 30, 2008 compared to \$0.1 million for the three months ended September 30, 2007.

During the three months ended September 30, 2008, the Company experienced a disruption in sailing schedule due to hurricane activity. As a result of the delayed sailings, the Company deferred approximately \$0.8 million in revenue to the fourth quarter.

Operating Expenses

Most operating expenses of the Company increased during the three months ended September 30, 2008 compared to the same period in 2007 as a result of additional volume. Rent and purchased transportation increased by \$2.0 million or 27.8% due to increased inland purchased transportation related to increases in volume. Fuel expense increased \$2.8 million or 59.0% due primarily to significant market price increases. As noted above, the fuel surcharge revenue collected by the Company increased \$3.6 million from the prior year period. Fuel expense does not include fuel related expenses embedded with third party inland purchased transportation that also experienced a significant increase. The Company estimates that its fuel expense associated with purchased transportation increased \$1.0 million or 68.8%. Operating and maintenance expenses increased by \$1.1 million or 18.9% as a result of increased terminal costs primarily related to the overall increase in volume. The September storms also resulted in incremental stevedoring overtime estimated at \$0.2 million during the quarter. Other

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operating expenses increased by \$1.0 million or 78.2% as a result of unusually high legal fees related to the U.S. Department of Justice investigation into pricing practices among Puerto Rico carriers and parallel class actions. Other operating expenses were also affected by increased security costs related to the Dominican Republic service.

While the Company has surcharges in place that seek to adjust revenues with changes in fuel prices, such mechanisms do not act with precision in terms of timing and amount. The fuel surcharges are adjusted for current fuel prices but do not forecast future prices. When fuel prices increase dramatically, rapidly or consistently as has been the current trend, the surcharge mechanism may not immediately adjust revenues enough to offset the increase in cost to the Company. Additionally, in periods of consistent fuel price increases, the fuel surcharge mechanism may not fully capture the increase in costs. The average cost per gallon for our tug fuel was up 71.0% in the third quarter of 2008 compared to a year ago and up 8.6% compared to the second quarter of 2008. The Company is currently experiencing significantly lowered average cost per gallon in the fourth quarter of 2008.

As a result of the factors described above, the Company reported a profit of approximately \$34,000 or \$0.00 earnings per basic share and diluted share for the three months ended September 30, 2008 compared to a profit of approximately \$365,000 or \$0.03 earnings per basic share and diluted share in the same period in 2007.

In the third quarter of 2008, the Company recorded a provision for income taxes of approximately \$36,000 of which \$1,000 was a provision related to state taxes, \$7,000 was related to accrued tonnage tax expense for the third quarter and \$28,000 was related to the tonnage tax expense for 2007 that was paid during the third quarter of 2008, when the Company made the election to be taxed under this method.

Nine Months Ended September 30, 2008 Compared to the Nine Months Ended September 30, 2007

For the nine month period ending September 30, 2008, the Company had a net loss of \$2.1 million compared to a net loss of \$0.2 million in the same period of the prior year. The net loss was partially a result of increased fuel costs as well as increased costs related to the Dominican Republic service.

The following table sets forth the indicated items as a percentage of net revenues for nine months ended September 30, 2008 and 2007:

Operating Statement—Margin Analysis (% of Operating Revenues)

	Nine Months Ended September 30,	
	2008	2007
Operating revenues	100.0%	100.0%
Salaries, wages, and benefits	13.1	14.8
Purchased transportation and other rents	25.4	23.7
Fuel	23.0	14.6
Operating and maintenance (exclusive of depreciation & dry-docking shown separately below)	19.2	19.8
Dry-docking	0.2	—
Taxes and licenses	0.4	0.4
Insurance and claims	2.3	2.8
Communications and utilities	0.6	0.6
Depreciation and amortization	4.6	4.9
Loss on sale of equipment	0.1	0.1
Other operating expenses	5.6	4.4
Total operating expenses	94.5	86.1
Operating income	5.5	13.9
Net interest expense	(7.6)	(8.5)
Benefit for income taxes	—	(5.6)
Net loss	<u>(2.1)%</u>	<u>(0.2)%</u>

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The Company's operating expense ratio deteriorated from 86.1% of revenues during the nine months ended September 30, 2007 to 94.5% of revenues during the nine months ended September 30, 2008. The decline in operating income and the resulting deteriorated operating ratio are primarily due to increased fuel costs and tug charterhire expenses related to the fifth vessel in service during the second quarter of 2008.

Revenues

The following table sets forth by percentage and dollar, the changes in the Company's revenue by sailing route and freight carried:

Volume & Revenue Changes in the first nine months of 2008 compared to 2007

	<u>Overall</u>	<u>Southbound</u>	<u>Northbound</u>
Volume Percent Change:			
Core container & trailer	16.1%	13.7%	24.2%
Auto and other cargos	12.1%	15.7%	(21.4)%
SOLs (Shipper Owned Equipment Loads)	(34.5)%	(31.8)%	(53.0)%
Revenue Change (\$millions):			
Core container & trailer	\$ 7.4	\$ 5.0	\$ 2.4
Auto and other cargos	1.0	1.1	(0.1)
SOLs (Shipper Owned Equipment Loads)	(0.7)	(0.7)	(0.0)
Other Revenues	7.4		
Total Revenue Change	\$ 15.1		

Vessel capacity utilization on the core continental U.S. to Puerto Rico traffic lane was 84.9% for the nine months ended September 30, 2008 compared to 82.7% for the nine months ended September 30, 2007. Southbound container and trailer volume increased primarily due to an additional sailing as a result of the Dominican Republic service, which commenced in August 2007. The increase in southbound auto volume was related primarily to used cars transported to the Dominican Republic. The Company expects this increased volume to continue.

Revenue for the nine months ended September 30, 2008 was \$99.7 million, an increase of 17.8% compared to \$84.6 million for the nine months ended September 30, 2007. The increase in revenue was partially due to increased volume related to Puerto Rico and the addition of the Dominican Republic service. The Company's fuel surcharge, which is included in the Company's revenues, amounted to \$20.0 million during the nine months ended September 30, 2008 compared to \$12.3 million in the nine months ended September 30, 2007. Excluding the effect of the fuel surcharge, revenue increased 10.2% from the year earlier period. Net demurrage, a charge assessed for failure to return empty freight equipment on time less a demurrage related allowance for bad debt, is also included in the Company's revenues and amounted to \$0.9 million during the nine months ended September 30, 2008 compared to \$1.6 million in the nine months ended September 30, 2007. Total charterhire revenue amounted to \$2.7 million during the nine months ended September 30, 2008 compared to \$1.3 million in the nine months ended September 30, 2007 due to an improved vessel charter market. Charterhire is rental revenue for vessels not in use in liner service. Security charges are charges to cover the Company's expenses beyond the normal security required to ensure the safety of the shipper's cargo. These charges amounted to \$1.7 million during the nine months ended September 30, 2008 compared to \$1.5 million during the nine months ended September 30, 2007. Revenue related to the Dominican Republic service, which commenced in August 2007, was approximately \$4.4 million for the nine months ended September 30, 2008 compared to \$0.1 million for the nine months ended September 30, 2007.

During the three months ended September 30, 2008, the Company experienced a disruption in sailing schedule due to hurricane activity. As a result of the delayed sailings the Company deferred approximately \$0.8 million in revenue and net profit to the fourth quarter.

Operating Expenses

Most operating expenses of the Company increased during the nine months ended September 30, 2008 compared to the same period in 2007 as a result of additional volume to Puerto Rico and the implementation of an additional bi-weekly sailing to the Dominican Republic. Rent and purchased transportation increased by \$5.2 million or 25.9% due to additional tug charter related to the new Dominican Republic service and increased inland purchased transportation related to increases in volume

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and increases in fuel related components of inland purchased transportation. Fuel expense increased \$10.6 million or 85.7% due in part to increased consumption for the additional vessel related to the Dominican Republic service as well as significant market price increases. As noted above, the fuel surcharge revenue collected by the company increased \$7.7 million from the prior year period. The category Fuel expense does not include fuel related expenses associated with embedded inland purchased transportation that also experienced a significant increase. The Company estimates that its fuel expense associated with purchased transportation increased \$2.3 million or 57.8%. Operating and maintenance expenses increased by \$2.3 million or 13.8% as a result of increased terminal costs primarily related to the overall increase in volume. The September storms also resulted in incremental stevedoring overtime estimated at \$0.2 million during the quarter. Other operating expenses increased by \$1.8 million or 48.8% as a result of legal fees related to a search for strategic alternatives, that has now been suspended, and the U.S. Department of Justice investigation into pricing practices among Puerto Rico carriers and parallel class actions. Other operating expenses were also affected by increased security costs related to the Dominican Republic service. Dry-docking expense increased \$0.2 million from the prior year period due to a regular dry-docking of a TBC vessel during the first quarter of 2008.

While the Company has surcharges in place that seek to adjust revenues with changes in fuel prices, such mechanisms do not act with precision in terms of timing and amount. The fuel surcharges are adjusted for current fuel prices but do not forecast future prices. When fuel prices increase dramatically, rapidly or consistently as has been the current trend, the surcharge mechanism may not immediately adjust revenues enough to offset the increase in cost to the Company. Additionally, in periods of consistent fuel price increases, the fuel surcharge mechanism may not fully capture the increase in costs. The average cost per gallon for our tug fuel was up 70.2% in the nine months ended September 30, 2008 compared to the nine month period ended September 30, 2007.

As a result of the factors described above, the Company reported a net loss of \$2.1 million or \$0.18 loss per basic share and diluted share for the nine months ended September 30, 2008 compared to a net loss of \$0.2 million or \$0.02 loss per basic share and diluted share in the same period in 2007.

In the nine months ended September 30, 2008, the Company recorded a benefit for income taxes of approximately \$200 of which \$49,800 was a benefit related to state taxes offset by \$49,600 of accrued tonnage tax expense for the period ended September 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operations was \$3.0 million in the first nine months of 2008 compared to \$10.9 million provided by operations in the first nine months of 2007. This represents a decline of \$8.0 million which resulted partially from additional net losses in the first nine months of 2008 compared to the same period of 2007. The decline in net cash provided by operations was also a result of an adjustment to the Company's deferred tax asset in the second quarter of 2007. Net cash used in investing activities was \$0.9 million in the first nine months of 2008 compared to net cash used in investing activities of \$13.9 million for the same period in 2007. The change is due primarily to increased payments made for the purchase of revenue equipment in the first nine months of 2007 to support the Company's expansion of operations. Net cash used in financing activities was \$0.5 million in the first nine months of 2008 compared to \$1.6 million used in the first nine months of 2007. This decline is primarily attributable to cash received from a draw on the Company's term loan with Wachovia during the second quarter of 2008. At September 30, 2008, cash amounted to approximately \$3.5 million, working capital was a positive \$7.1 million, and stockholders' deficit was \$0.4 million.

The Company's revolving credit facility with Wachovia (formerly Congress Financial Corporation), as amended, provides for a maximum availability of \$10 million and expires in April 2012. The facility provides for interest equal to the prime rate. The revolving line of credit is subject to a borrowing base formula (approximately \$10.0 million was available under this formula at September 30, 2008) based on a percentage of eligible accounts receivable. The revolving credit facility is secured by the Company's accounts receivable. At September 30, 2008, there were no advances drawn on this credit facility.

The Company has access to a term loan that provides for a maximum availability of \$10 million and expires April 2012. The term loan provides for interest equal to the prime rate. At September 30, 2008, approximately \$5.3 million was drawn on this loan to fund equipment purchases. Approximately \$1.3 million of the outstanding balance was drawn in May 2008. This term loan is collateralized by eligible new equipment acquired during 2007 with a carrying value of \$9.8 million at September 30, 2008.

During the quarter ended September 30, 2008, the Company and Wachovia amended the Revolving Credit Agreement to eliminate all financial covenants at any time the Company has at least \$3.0 million in unused borrowing capacity under the

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facility. As of September 30, 2008, the Company had \$10.0 million available under this facility and therefore was not subject to any financial covenants. Additionally, the Company was in compliance with the financial covenant that would apply if the Company had less than \$3.0 million in unused capacity under the facility.

The related party debt was repaid in December 2007. This debt arose from deferred charterhire payments to K Corp., the former lessor of the Company's ro/ro vessels, had an interest rate of 8.03% and was payable in 36 equal monthly installments through December 2007. The receivable was held by beneficiaries of the Estate of Malcom P. McLean.

As of September 30, 2008, the Company was restricted from performing certain financial activities due to it not being in compliance with Title XI debt covenants relating to certain leverage ratios. The provisions of the Title XI covenants provide that, in the event of noncompliance with the covenants, the Company is restricted from conducting certain financial activities without obtaining the written permission of the Secretary of Transportation of the United States (the "Secretary"). If such permission is not obtained and the Company enters into any of the following actions it will be considered to be in default of the Title XI covenants and the lender will have the right to call the debt. These actions are as follows: (1) acquire any fixed assets other than those required for the normal maintenance of its existing assets; (2) enter into or become liable under certain charters and leases (having a term of six months or more); (3) pay any debt subordinated to the Title XI Bonds; (4) incur any debt, except current liabilities or short term loans incurred in the ordinary course of business; (5) make investments in any person, other than obligations of the U.S. government, bank deposits or investments in securities of the character permitted for money in the reserve fund; or (6) create any lien on any of its assets, other than pursuant to loans guaranteed by the Secretary of Transportation of the United States under Title XI and liens incurred in the ordinary course of business. However, none of the foregoing covenants will apply at any time if the Company meets certain financial tests provided for in the agreement and the Company has satisfied its obligation to make deposits into the reserve fund. As of September 30, 2008, the Company was in compliance with such restrictions.

RECENT TRENDS

The Company's growth is continuing with overall October revenue and revenue excluding the effect of fuel surcharges both showing growth rates in excess of the respective third quarter rates. During October 2008, the Company has experienced significantly reduced fuel costs compared to the second and third quarters of 2008.

CORPORATE GOVERNANCE

In July, Allen L. Stevens, previously Vice Chairman, was elected Chairman. Mr. McCown will serve as Vice Chairman. The board believes that separating the roles of CEO and chairman with an independent director acting as Chairman fits with optimum corporate governance as practiced by a growing number of public companies.

CRITICAL ACCOUNTING POLICIES

The Company believes that there have been no significant changes to its critical accounting policies during the three months ended September 30, 2008, as compared to those the Company disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations in its Annual Report on Form 10-K for the year ended December 31, 2007.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 159 ("SFAS 159"), "*The Fair Value Option for Financial Assets and Financial Liabilities*," providing companies with an option to report selected financial assets and liabilities at fair value. SFAS 159's objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. United States generally accepted accounting principles has required different measurement attributes for different assets and liabilities that can create artificial volatility in earnings. SFAS 159 helps to mitigate this type of accounting-induced volatility by enabling companies to report related assets and liabilities at fair value, which would likely reduce the need for companies to comply with detailed rules for hedge accounting. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the company's choice to use fair value on its earnings. It also requires entities to display the fair value of those assets and liabilities for which it has chosen to use fair value on the face of the balance sheet. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 had no material impact on the Company's financial statements.

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In September 2006, the FASB issued SFAS No. 157, “*Fair Value Measurements*.” This statement establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. SFAS 157 defines fair value as “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.” For the Company, SFAS 157 is effective for the fiscal year beginning after November 15, 2007; however, the FASB has deferred the implementation of the provision of SFAS 157 relating to nonfinancial assets and liabilities until January 1, 2009. The adoption of certain provisions of SFAS 157, which went into effect January 1, 2008, did not have a material impact on the Company’s financial statements.

In May 2008, the FASB issued SFAS No. 162, “*The Hierarchy of Generally Accepted Accounting Principles*.” SFAS 162 identifies the sources of accounting principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States for non-governmental entities. SFAS 162 is effective 60 days following approval by the Securities and Exchange Commission of the Public Company Accounting Oversight Board’s amendments to AU Section 411, “The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles.” The adoption of SFAS 162 did not have a material impact on the Company’s financial statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company believes that there have been no significant changes to its Market Risk Disclosures during the three months ended September 30, 2008, as compared to those the Company disclosed in Item 1A. Quantitative and Qualitative Disclosures About Market Risk on Form 10-K for the year ended December 31, 2007.

FORWARD-LOOKING STATEMENTS

This report on Form 10-Q contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The matters discussed in this Report include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to the future operating performance of the Company. Investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward looking statements as a result of various factors. Without limitation, these risks and uncertainties include the risks of changes in demand for transportation services offered by the Company, any changes in rate levels for transportation services offered by the Company, economic recessions, severe weather, continued increases in fuel costs, and the ultimate cost and outcome of the DOJ investigation and the related class actions.

Item 4. Controls and Procedures

(a) Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on their evaluation, our principal executive officer and principal financial officer concluded that Trailer Bridge, Inc.'s disclosure controls and procedures are effective.

(b) There has been no significant change in our internal controls over financial reporting identified in connection with the evaluation referred to in paragraph (a) above that occurred during the period covered by this Quarterly report that has materially affected, or is reasonably likely to materially effect, our internal controls over financial reporting.

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PART II: OTHER INFORMATION

Item 1. Legal Proceedings

On April 17, 2008, the Company received a subpoena from the Antitrust Division of the U.S. Department of Justice (the “DOJ”) seeking documents and information relating to a grand jury investigation of alleged anti-competitive conduct by Puerto Rico ocean carriers. Company representatives have met with United States Justice Department attorneys and pledged the Company’s full and complete cooperation with the DOJ investigation. The Company has made document submissions to the DOJ in response to the subpoena, and its attorneys are in the process of reviewing documents for additional submissions.

On October 20, 2008, four senior officers of two competitors of the Company pled guilty to a one-count felony criminal information. They were charged with having engaged in a criminal conspiracy to suppress or eliminate competition in the Puerto Rico freight market, including engaging in discussions and meetings during which agreements were reached to allocate customers, rig bids, and fix rates, surcharges, and other fees charged to customers. Each of the two competitors had an officer plead guilty to a felony affecting at least one billion dollars in revenue.

Following publicity about the DOJ investigation, beginning on April 22, 2008, shippers in the Puerto Rico trade lane have filed at least 30 purported class actions against domestic ocean carriers, including Horizon Lines, Sea Star Lines, and Crowley. The Company has been named as a co-defendant in these lawsuits. The actions allege that the defendants inflated prices in violation of federal antitrust laws and seek treble damages, attorneys’ fees and injunctive relief. The actions, which were filed in the United States District Court for the Southern District of Florida, the United States District Court for the Middle District of Florida, and the United States District Court for the District of Puerto Rico, have been consolidated for pretrial purposes into a single multi-district litigation proceeding (MDL 1962) in the District Court of Puerto Rico. The current scheduling order requires the plaintiffs’ steering committee to file a consolidated amended complaint in early December 2008.

The DOJ investigation is a criminal investigation, and the parallel class actions by civil litigants seek remedies that include treble damages. The Company is cooperating fully with the DOJ and intends to defend itself vigorously against the class actions. Significant legal fees and costs are expected to be incurred in connection with the DOJ investigation and the class actions. During the third quarter of 2008, these costs were approximately \$921,000.

The Company is not able to predict the ultimate outcome or cost of the DOJ investigation and class actions.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 6. Exhibits

(a) Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.1(1)#	Amended and Restated Employment Agreement dated as of October 21, 2008, by and between Trailer Bridge, Inc. and John D. McCown, Jr.
10.25.6	Amendment No. 8 to Loan and Security Agreement dated as of October 9, 2008, by and among Trailer Bridge, Inc., as Borrower, and Wachovia Bank, National Association, successor by merger to Congress Financial Corporation (Florida), as Agent and the Lenders from time to time party thereto, as Lenders.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934
31.2	Certification of Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act and Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934

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<u>Exhibit Number</u>	<u>Description of Exhibit</u>
32.1	Certification of Trailer Bridge, Inc.'s Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 (as adopted by Section 906 of the Sarbanes-Oxley Act of 2002)

Management contract or compensatory plan or arrangement.

(1) Incorporated by reference to the indicated exhibit to the Company's Form 8-K dated October 21, 2008.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

TRAILER BRIDGE, INC.

Date: November 6, 2008

By: /s/ John D. McCown
John D. McCown
Vice Chairman and Chief Executive Officer

Date: November 6, 2008

By: /s/ Mark A. Tanner
Mark A. Tanner
Vice President of Administration and Chief Financial Officer

AMENDMENT NO. 8 TO
LOAN AND SECURITY AGREEMENT

AMENDMENT NO. 8 TO LOAN AND SECURITY AGREEMENT (“Amendment No. 8”) dated as of October 9, 2008, by and among Wachovia Bank, National Association, successor by merger to Congress Financial Corporation (Florida), in its capacity as agent pursuant to the Loan Agreement (as hereinafter defined) acting for and on behalf of the financial institutions which are parties thereto as lenders (in such capacity, “Agent”), the financial institutions which are parties to the Loan Agreement as lenders (individually, each a “Lender” and collectively, “Lenders”) and Trailer Bridge, Inc. (“Borrower”).

WITNESSETH:

WHEREAS, Agent, Lenders and Borrower have entered into financing arrangements pursuant to which Lenders (or Agent on behalf of Lenders) have made and may make loans and advances and provide other financial accommodations to Borrower as set forth in the Loan and Security Agreement, dated April 23, 2004, by and among Agent, Lenders and Borrower, as amended by Amendment No. 1 to Loan and Security Agreement, dated as of September 10, 2004, Amendment No. 2 to Loan and Security Agreement, dated as of December 1, 2004, Amendment No. 3 to Loan and Security Agreement, dated as of December 22, 2004, Amendment No. 4 and Waiver to Loan and Security Agreement, dated as of November 1, 2006, Amendment No. 5 to Loan and Security Agreement, dated April 23, 2007, Amendment No. 6 to Loan and Security Agreement, dated as of June 14, 2007 and Amendment No. 7 to Loan and Security Agreement, dated as of March __, 2008 (as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced the “Loan Agreement”), and the other agreements, documents and instruments referred to therein or at any time executed and/or delivered in connection therewith or related thereto, including, but not limited to, this Amendment No. 8 (all of the foregoing, together with the Loan Agreement, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced, being collectively referred to herein as the “Financing Agreements”);

WHEREAS, Borrower has requested that Agent and Lenders agree to amend the Loan Agreement and Agent and Lenders are agreeable to such requests, but only on the terms and subject to the conditions contained herein; and

WHEREAS, by this Amendment No. 8, Agent, Lenders, and Borrower wish and intend to evidence such amendments.

NOW, THEREFORE, in consideration of the foregoing, the mutual agreements and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions.

1.1 Additional Definition. As used herein, the following terms shall have the respective meanings given to them below and the Loan Agreement and the other Financing Agreements are hereby amended to include, in addition and not in limitation, the following definition:

“Amendment No. 8” shall mean Amendment No. 8 to Loan and Security Agreement, dated as of October 9, 2008, by and among Borrower, Agent and Lenders, as the same now exists and may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced.

1.2 Amendments to Definition. The definition of “Fixed Charges” in the Loan Agreement is hereby deleted in its entirety and the following substituted therefor:

““Fixed Charges” shall mean, as to any Person, with respect to any period, the sum of, without duplication, (a) all Interest Expense during such period, plus (b) all Capital Expenditures not financed during such period, plus (c) all regularly scheduled (as determined at the beginning of the respective period) principal payments in respect of Indebtedness for borrowed money (excluding payments in respect of Revolving Loans which do not result in a reduction of the Commitments) and Indebtedness with respect to Capital Leases (and without duplicating items (a) and (c) of this definition, the interest component with respect to Indebtedness under Capital Leases) during such period, plus (d) taxes paid during such period in cash, plus (e) dividends paid during such period in cash.”

1.3 Interpretation. Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings ascribed to them in the Loan Agreement.

2. Fixed Charge Coverage Ratio. Section 9.17 of the Loan Agreement is hereby amended by deleting such Section in its entirety and substituting the following therefor:

“At any time the aggregate Excess Availability of Borrower is less than \$3,000,000, the Fixed Charge Coverage Ratio of Borrower for each period of twelve fiscal months ending on the last day of each fiscal quarter shall not be less than 1.0:1.0.”

3. Additional Representations, Warranties and Covenants. Borrower represents, warrants and covenants with and to Agent and Lenders as follows, which representations, warranties and covenants are continuing and shall survive the execution and delivery hereof, the truth and accuracy of, or compliance with each, together with the representations, warranties and covenants in the other Financing Agreements, being a continuing condition of the making of Loans by Lenders (or Agent on behalf of Lenders) to Borrower:

3.1 Neither the execution, delivery and performance of this Amendment No. 8, or any other Financing Agreements in connection herewith, nor the consummation of the transactions herein or therein contemplated, are in contravention of law or any indenture, agreement or undertaking to which Borrower is a party or by which Borrower or its property are bound, or violates any provision of the Certificate of Incorporation or By-Laws (or similar governing documents) of Borrower;

3.2 No consent, approval or other action of, or filing with, or notice to any Governmental Authority is required in connection with the execution, delivery and performance of this Amendment No. 8;

3.3 This Amendment No. 8 has been duly executed and delivered by Borrower and the agreements and obligations of Borrower contained herein constitute legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms;

3.4 All of the representations and warranties set forth in the Loan Agreement and the other Financing Agreements, each as amended hereby, are true and correct in all material respects on and as of the date hereof as if made on the date hereof, except to the extent any such representation or warranty is made as of a specified date, in which case such representation or warranty shall have been true and correct in all material respects as of such date; and

3.5 No Default or Event of Default exists or has occurred and is continuing.

4. Conditions Precedent .

4.1 Agent shall have received an executed original or executed counterparts of this Amendment No. 8, duly authorized, executed and delivered by each of the respective parties hereto;

4.2 Agent shall have received an Affidavit of Execution and Delivery, in form and substance satisfactory to Agent, duly authorized, executed and delivered by Borrower; and

4.3 No Default or Event of Default shall exist or have occurred and be continuing.

5. Effect of this Amendment . This Amendment No. 8 constitutes the entire agreement of the parties with respect to the subject matter hereof and thereof, and supersedes all prior oral or written communications, memoranda, proposals, negotiations, discussions, term sheets and commitments with respect to the subject matter hereof and thereof. Except as expressly amended pursuant hereto, no other changes or modifications to the Financing Agreements are intended or implied, and in all other respects the Financing Agreements are hereby specifically ratified, restated and confirmed by all parties hereto as of the effective date hereof. To the extent that any provision of the Loan Agreement or any of the other Financing Agreements are inconsistent with the provisions of this Amendment, the provisions of this Amendment shall control.

6. Further Assurances . Borrower shall execute and deliver such additional documents and take such additional action as may be requested by Agent to effectuate the provisions and purposes of this Amendment No. 8.

7. Governing Law . The rights and obligations hereunder of each of the parties hereto shall be governed by and interpreted and determined in accordance with the internal laws of the State of Florida but excluding any principles of conflicts of law or other rule of law that would cause the application of the law of any jurisdiction other than the laws of the State of Florida.

8. Binding Effect . This Amendment No. 8 shall be binding upon and inure to the benefit of each of the parties hereto and their respective successors and assigns.

9. Counterparts. This Amendment No. 8 may be executed in any number of counterparts, but all of such counterparts shall together constitute but one and the same agreement. In making proof of this Amendment No. 8, it shall not be necessary to produce or account for more than one counterpart thereof signed by each of the parties hereto. Delivery of an executed counterpart of this Amendment No. 8 by telecopier or other electronic method of transmission shall have the same force and effect as delivery of an original executed counterpart of this Amendment No. 8. Any party delivering an executed counterpart of this Amendment No. 8 by telecopier or other electronic method of transmission also shall deliver an original executed counterpart of this Amendment No. 8, but the failure to deliver an original executed counterpart shall not affect the validity, enforceability, and binding effect of this Amendment No. 8 as to such party or any other party.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 8 to be duly executed and delivered by their authorized officers as of the day and year first above written.

WACHOVIA BANK, NATIONAL ASSOCIATION,
successor by merger to Congress Financial Corporation
(Florida), as Agent and a Lender

By: _____

Title: _____

AGREED AND ACCEPTED:

TRAILER BRIDGE, INC.

By: _____

Title: _____

Certification

I, John D. McCown certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Trailer Bridge, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f)) 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 is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) 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
 - (d) 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.
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: November 6, 2008

/s/ John D. McCown
John D. McCown
Chief Executive Officer

Certification

I, Mark A. Tanner certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Trailer Bridge, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f)) 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 is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) 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
 - (d) 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: November 6, 2008

/s/ Mark A. Tanner

Mark A. Tanner

Vice President of Administration and Chief Financial Officer

Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. ss.1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Vice Chairman and Chief Executive Officer of Trailer Bridge, Inc. (the "Company") and I, the undersigned Vice President of Administration and Chief Financial Officer of Trailer Bridge, Inc. (the "Company"), hereby certify, that the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2008 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John D. McCown

John D. McCown

November 6, 2008

/s/ Mark A. Tanner

Mark A. Tanner

November 6, 2008