

TRAILER BRIDGE INC

FORM 10-Q (Quarterly Report)

Filed 11/12/09 for the Period Ending 09/30/09

Address	10405 NEW BERLIN ROAD EAST JACKSONVILLE, FL 32226
Telephone	9047517100
CIK	0001039184
Symbol	TRBR
SIC Code	4400 - Water transportation
Industry	Water Transportation
Sector	Transportation
Fiscal Year	12/31

**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, 2009

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)

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

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

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

Indicate by check mark 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 (Do not check if a smaller reporting company)

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 9, 2009, 11,935,839 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, 2009**

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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,	
	2009	2008	2009	2008
OPERATING REVENUES	\$30,325,952	\$35,413,471	\$83,567,679	\$99,720,978
OPERATING EXPENSES:				
Salaries, wages, and benefits	4,624,800	4,445,122	13,125,894	13,034,880
Purchased transportation and other rent	6,802,571	9,033,758	18,709,578	25,292,014
Fuel	3,946,011	7,648,613	10,625,906	22,888,206
Operating and maintenance (exclusive of depreciation & dry-docking shown separately below)	6,603,337	6,659,483	18,331,151	19,097,626
Dry-docking	53,702	-	709,917	236,525
Taxes and licenses	157,087	136,725	471,868	414,540
Insurance and claims	756,325	794,760	2,330,130	2,333,955
Communications and utilities	152,181	197,540	520,048	576,981
Depreciation and amortization	1,554,791	1,537,069	4,668,295	4,615,048
Loss on sale of property & equipment	8,231	17,193	35,874	109,350
Other operating expenses	1,544,781	2,332,923	4,907,396	5,610,738
	<u>26,203,817</u>	<u>32,803,186</u>	<u>74,436,057</u>	<u>94,209,863</u>
OPERATING INCOME	4,122,135	2,610,285	9,131,622	5,511,115
NONOPERATING (EXPENSE) INCOME:				
Interest expense	(2,576,930)	(2,584,466)	(7,796,229)	(7,759,277)
Gain on debt extinguishment	132,500	-	132,500	-
Interest income	11,313	44,816	122,867	130,572
	<u>11,313</u>	<u>44,816</u>	<u>122,867</u>	<u>130,572</u>
INCOME (LOSS) BEFORE BENEFIT (PROVISION) FOR INCOME TAXES	1,689,018	70,635	1,590,760	(2,117,590)
BENEFIT (PROVISION) FOR INCOME TAXES	19,424	(36,191)	6,337	215
NET INCOME (LOSS)	<u>\$ 1,708,442</u>	<u>\$ 34,444</u>	<u>\$ 1,597,097</u>	<u>\$ (2,117,375)</u>
PER SHARE AMOUNTS:				
NET INCOME (LOSS) PER SHARE BASIC	<u>\$ 0.14</u>	<u>\$ 0.00</u>	<u>\$ 0.13</u>	<u>\$ (0.18)</u>
NET INCOME (LOSS) PER SHARE DILUTED	<u>\$ 0.14</u>	<u>\$ 0.00</u>	<u>\$ 0.13</u>	<u>\$ (0.18)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING BASIC	<u>11,915,562</u>	<u>11,937,921</u>	<u>11,880,619</u>	<u>11,937,701</u>
SHARES OUTSTANDING DILUTED	<u>12,236,393</u>	<u>12,334,543</u>	<u>12,028,007</u>	<u>11,937,701</u>

See accompanying summary of significant accounting policies and notes to the condensed financial statements

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TRAILER BRIDGE, INC. CONDENSED BALANCE SHEETS (Unaudited)

	September 30, 2009	December 31, 2008
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 10,282,607	\$ 7,216,283
Trade receivables, less allowance for doubtful accounts of \$470,433 and \$599,017	14,070,404	16,818,259
Prepaid and other current assets	2,438,004	1,883,942
Deferred income taxes, net	278,856	278,856
Total current assets	<u>27,069,871</u>	<u>26,197,340</u>
Property and equipment, net	86,306,139	89,304,822
Reserve fund for long-term debt	4,231,151	4,125,995
Other assets	3,133,682	3,704,490
TOTAL ASSETS	<u>\$120,740,843</u>	<u>\$123,332,647</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	\$ 4,654,220	\$ 5,259,355
Accrued liabilities	7,507,121	7,694,690
Unearned revenue	718,907	385,458
Current portion of long-term debt	2,874,700	2,874,700
Total current liabilities	<u>15,754,948</u>	<u>16,214,203</u>
Other accrued liabilities	103,728	414,910
Long-term debt, less current portion	104,586,977	108,545,228
TOTAL LIABILITIES	<u>120,445,653</u>	<u>125,174,341</u>
Commitments and contingencies		
Stockholders' Equity (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; 11,975,012 and 11,938,921 shares issued; 11,935,839 and 11,838,921 shares outstanding at September 30, 2009 and December 31, 2008, respectively	119,750	119,389
Treasury stock, at cost, 39,173 and 100,000 shares at September 30, 2009 and December 31, 2008, respectively	(156,692)	(400,000)
Additional paid-in capital	53,756,901	53,460,783
Capital deficit	<u>(53,424,769)</u>	<u>(55,021,866)</u>
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	<u>295,190</u>	<u>(1,841,694)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$120,740,843</u>	<u>\$123,332,647</u>

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

	2009	2008
Operating activities:		
Net income (loss)	\$ 1,597,097	\$(2,117,375)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,668,295	4,615,048
Amortization of loan costs	620,176	553,530
Non-cash stock compensation expense	348,382	299,701
Provision for doubtful accounts	758,571	563,470
Deferred tax benefit	-	(49,815)
Loss on sale of property and equipment	35,874	109,350
Decrease (increase) in:		
Trade receivables	1,989,283	(3,993,183)
Prepaid and other current assets	(554,063)	(44,061)
Other assets	(172,631)	(47,538)
Increase (decrease) in:		
Accounts payable	(605,135)	(1,084,947)
Accrued liabilities	(456,353)	3,461,527
Unearned revenue	333,449	695,309
Net cash provided by operating activities	<u>8,562,945</u>	<u>2,961,016</u>
Investing activities:		
Purchases of property and equipment	(1,735,557)	(1,047,479)
Proceeds from sale of property and equipment	48,178	171,876
Additions to other assets	-	(36,799)
Net cash used in investing activities	<u>(1,687,379)</u>	<u>(912,402)</u>
Financing activities:		
Cash proceeds from note payable	-	1,339,290
Reissuance of treasury stock	250,000	-
Exercise of stock options	(58,596)	(18,269)
Principal payments on notes payable	(3,868,146)	(1,834,926)
Gain on extinguishment of debt	(132,500)	-
Net cash used in financing activities	<u>(3,809,242)</u>	<u>(513,905)</u>
Net increase in cash and cash equivalents	3,066,324	1,534,709
Cash and cash equivalents, beginning of the period	<u>7,216,283</u>	<u>1,932,535</u>
Cash and cash equivalents, end of period	<u>\$10,282,607</u>	<u>\$ 3,467,244</u>
Supplemental cash flow information and non-cash investing and financing activities:		
Cash paid for interest	<u>\$ 6,201,740</u>	<u>\$ 6,112,705</u>

See accompanying summary of significant accounting policies and notes to the condensed financial statements

TRAILER BRIDGE, INC.
NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008

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 results of operations for the periods shown. The financial statements have been prepared in accordance with the instructions 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. The results of operations for any interim period are not necessarily indicative of the results to be expected for the full year. For further information, refer to the Company’s audited financial statements for the year ended December 31, 2008 included in the Form 10-K filed by the Company with the Securities and Exchange Commission.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the unaudited condensed financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

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

2. SUBSEQUENT EVENTS

The Company has evaluated the accounting and disclosure requirements for subsequent events through November 12, 2009, the date of filing this Form 10-Q.

On November 2, 2009, the Company made certain management changes based on the completion of a management and organization review commenced by the Company’s Chief Executive Officer. These changes included the resignations of Ralph W. Heim, President and COO, and Robert van Dijk, Vice President of Pricing. These changes are expected to result in reduced operating costs and more streamlined responsibility. The Company expects to incur an estimated one-time \$500,000 charge during its fourth quarter and year ending December 31, 2009. In connection with the assumption of additional duties, the Company has granted additional stock options to four other executive officers.

On November 10, 2009 the Company entered into Indemnification Agreements with its officers and directors.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 168 or FASB Accounting Standards Codification (“ASC”) 105, “*The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles , a Replacement of FASB Statement No. 162*”. This statement will become the source of authoritative U.S. generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. Following this statement, the FASB will issue new standards in the form of Accounting Standard Updates (“ASU”). This Statement is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The issuance of FASB ASC 105 will not change accounting principles generally accepted in the United States of America (“GAAP”) and therefore the adoption of FASB ASC 105 only affects the specific references to GAAP literature in the notes to the Company’s unaudited condensed financial statements.

In September 2006, the FASB issued SFAS No. 157 or FASB ASC 820, “*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. FASB ASC 820 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, FASB ASC 820 was effective for the fiscal year beginning after November 15, 2007; however, the FASB has deferred the implementation of the provision relating to non-financial assets and liabilities until January 1, 2009. The adoption of this statement had no material impact on the Company’s unaudited condensed financial statements.

TRAILER BRIDGE, INC.
NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008

In December 2007, FASB issued SFAS No. 141 (revised 2007) or FASB ASC 805, “*Business Combinations*.” This standard establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. This standard also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This standard is effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of FASB ASC 805 had no material impact on the Company’s unaudited condensed financial statements.

In April 2009, the FASB issued Financial Standards Position (“FSP”) No. 157-4 or FASB ASC 820-10-65-4, “*Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*” which provides guidance on (1) estimating the fair value of an asset or liability when the volume and level of activity for the asset or liability have significantly decreased and (2) identifying transactions that are not orderly. This standard is effective for interim and annual periods ending after June 15, 2009. The adoption of this standard had no material impact on the Company’s unaudited condensed financial statements.

In April 2009, the FASB issued FSP No. 107-1 and Accounting Principles Board (“APB”) No. 28-1 or FASB ASC 825-10-65-1, “*Interim Disclosures about Fair Value of Financial Instruments*”, which require disclosures about the fair value of financial instruments for annual and interim reporting periods of publicly traded companies. These standards are effective for financial statements used for periods ending after June 15, 2009. The adoption of these standards had no material impact on the Company’s unaudited condensed financial statements.

In April 2009, the FASB issued FSP No. 115-2 and FAS 124-2 or FASB ASC 320-10-65-1, “*Recognition and Presentation of Other-Than-Temporary Impairments*”, which amends the other-than-temporary impairment guidance for debt securities to make it more operational and to improve the presentation and disclosure of other-than-temporary-impairments of debt and equity securities in the financial statements. These standards are effective for interim and annual reporting periods ending after June 15, 2009. The adoption of these standards had no material impact on the Company’s unaudited condensed financial statements.

In May 2009, the FASB issued SFAS No. 165 or FASB ASC 855, “*Subsequent Events*”, which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, that is, whether that date represents the date the financial statements were issued or were available to be issued. This Statement is effective for financial statements issued for interim and annual periods ending after June 15, 2009. The adoption of this standard had no material impact on the Company’s unaudited condensed financial statements.

In August 2009, the FASB issued ASU No. 2009-05, “*Measuring Liabilities at Fair Value*”. This update provides amendments to FASB ASC Topic 820, “*Fair Value Measurements and Disclosure*” for the fair value measurement of liabilities. This Update is effective for the first reporting period (including interim periods) beginning after issuance. The Company does not expect the adoption of ASU 2009-05 to have a material effect on the Company’s unaudited condensed financial statements.

In October 2009, the FASB issued ASU No. 2009-13, “*Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force*”, which addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified beginning in fiscal years on or after June 15, 2010, however, early adoption is permitted. The Company is currently evaluating the impact that the adoption of ASU 2009-13 will have on the Company’s unaudited condensed financial statements.

4. STOCK BASED COMPENSATION

During the three month periods ended September 30, 2009 and 2008 the Company recorded approximately \$153,537 and \$99,900, respectively, and \$348,382 and \$299,701, respectively for the nine month periods ended September 30, 2009 and 2008 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, 2009, the total compensation expense not yet recognized in the Condensed Unaudited Statement of Operations was approximately \$2.5 million and is expected to be recognized over a period up to 5 years.

TRAILER BRIDGE, INC.
NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008

During the nine months ended September 30, 2009 and 2008, 36,090 and 6,357 options were exercised, respectively. On August 26, 2009, April 23, 2009 and January 9, 2008, the Company granted options to purchase 500,000, 135,000 and 96,500 shares, respectively, of the Company's common stock under the Company's Incentive Stock Plan. Using the Black-Scholes method, the assumptions used to calculate the fair value of those options granted during the nine month periods ended September 30, 2009 and 2008 are as follows:

	2009		2008
	August 26, 2009	April 23, 2009	January 9, 2008
Expected Term	6.5 years	6.5 years	6.5 years
Volatility	65.13%	64.84%	45.98%
Risk-free interest rate	3.09%	2.49%	3.40%
Dividends	None	None	None

Earnings per share – Options to purchase 312,564 and 812,564 shares of the Company's common stock during the three and nine month periods ended September 30, 2009, respectively, were excluded from the calculation of diluted earnings because their effect would be anti-dilutive. 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.

5. TRANSACTIONS WITH RELATED PARTIES

On August 26, 2009, the Company's Board of Directors appointed Ivy Barton Suter to serve as Chief Executive Officer. At that time Ms. Suter entered into an employment agreement with the Company for a period of two years, which will be automatically extended for consecutive one-year periods provided neither party provides notice of termination sixty (60) days prior to expiration of the term. In addition, Ms. Suter purchased from the Company 60,827 shares of the Company's treasury stock for \$250,000 (based on the closing bid price of the Company's common stock on NASDAQ on August 26, 2009 of \$4.11 per share).

6. LONG-TERM DEBT

During August and September 2009, the Company repurchased, with cash, \$1.5 million (face amount) of its 9.25% Senior Secured Notes in open market transactions. The Company's 9.25% Senior Secured Notes mature on November 15, 2011 with interest payable semi-annually on each May 15 and November 15. The aggregate principal outstanding on the 9.25% Senior Secured Notes following the Company's purchases is \$83.5 million. For the three and nine month periods ended September 30, 2009, the repurchase of these notes resulted in a gain on extinguishment of debt of \$132,500.

7. 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 carry forwards (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 starting on its 2007 federal tax return. The federal tax expense related to the third quarter of 2009 and 2008 under the tonnage tax method was approximately \$6,500 and \$6,800, respectively. The remaining deferred tax asset as of September 30, 2009 and 2008 of \$278,856 and \$251,816, respectively, 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 would not be suspended.

TRAILER BRIDGE, INC.
NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008

8. 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 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.

9. 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 criminal 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.

Following publicity about the DOJ investigation, beginning on April 22, 2008, shippers in the Puerto Rico trade lane, and in one case indirect consumer purchasers within Puerto Rico, have filed at least 41 purported class actions against domestic ocean carriers, including Horizon Lines, Sea Star Lines, Crowley and the Company. The Company intends to continue its vigorous defense of these actions. 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, were consolidated into a single multi-district litigation proceeding (MDL 1960) in the District of Puerto Rico for pretrial purposes. On October 21, 2009, in connection with this consolidated proceeding, the Plaintiffs' lead counsel filed an amended class action complaint under seal. The Company filed a motion to dismiss that complaint with the court on November 4, 2009.

In June 2009, Horizon Lines and its related companies entered into a settlement agreement with certain named direct purchaser plaintiffs on behalf of a purported class of claimants in the MDL 1960 proceeding, while denying any liability for the underlying claims. The settlement agreement is subject to Court approval and is subject to various objections. On October 20, 2009, the Court heard arguments related to the approval of the settlement and now has the matter under advisement and is scheduled to conduct an additional hearing on this matter on November 12, 2009. It is not clear what, if any, impact the settlement agreement will have on further prosecution of the MDL 1960. The Company is not a party to the Horizon Lines settlement.

On October 9, 2009, the Company received a Request for Information and Production of Documents from the Puerto Rico Office of Monopolistic Affairs. The request relates to an investigation into possible price fixing and unfair competition in the Puerto Rico domestic ocean shipping business. The Company has indicated to the Puerto Rican authorities that it will cooperate fully with this investigation.

Significant legal fees and costs are expected to be incurred in connection with the DOJ investigation, the class actions, and the Puerto Rico Office of Monopolistic Affairs investigation. During the three month periods ended September 30, 2009 and 2008, costs were approximately \$360,000 and \$988,000, respectively. During the nine month periods ended September 30, 2009 and 2008, costs were approximately \$1,052,400 and \$1,124,000, respectively.

The Company is not able to predict the ultimate outcome or cost of the DOJ investigation, the civil class actions, or the Puerto Rico Office of Monopolistic Affairs investigation. However, should this result in an unfavorable outcome for the Company, it could have a material adverse effect on the Company's financial position and future operations.

**TRAILER BRIDGE, INC.
NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009 and 2008**

The Company is involved in routine litigation and is subject to certain claims which arise in the normal course of business, none of which, in the opinion of management, are expected to have a material adverse effect on the Company's financial position or cash flows.

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

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, changes in the cost of fuel, DOJ investigation and related class actions, economic recessions and severe weather. An additional description of the Company's risk factors is described in Part 1 – Item 1A. "Risk Factors" filed on form 10-K for the year ended December 31, 2008. The Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

RESULTS OF OPERATIONS:

EXECUTIVE SUMMARY

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. 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, 2009 Compared to the Three Months Ended September 30, 2008

For the three month period ended September 30, 2009, the Company had net income of \$1.7 million compared to net income of approximately \$34,000 in the same period of the previous year. The Company's operating income for the three month period ended September 30, 2009 was \$4.1 million compared to operating income of \$2.6 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, 2009 and 2008:

Operating Statement - Margin Analysis (% of Operating Revenues)

	Three Months Ended September 30,	
	2009	2008
Operating revenues	100.0%	100.0%
Salaries, wages, and benefits	15.3	12.6
Purchased transportation and other rents	22.4	25.5
Fuel	13.0	21.6
Operating and maintenance (exclusive of depreciation & dry-docking shown separately below)	21.8	18.8
Dry-docking	0.2	-
Taxes and licenses	0.5	0.4
Insurance and claims	2.5	2.2
Communications and utilities	0.5	0.6
Depreciation and amortization	5.1	4.3
Other operating expenses	5.1	6.6
Total operating expenses	86.4	92.6
Operating income	13.6	7.4
Net interest expense	(8.4)	(7.3)
Gain on debt extinguishment	0.4	-
Net income	5.6%	0.1%

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The Company's operating ratio, or operating expenses expressed as a percentage of revenue, improved from 92.6% of revenues during the three months ended September 30, 2008 to 86.4% of revenues during the three months ended September 30, 2009. This change is explained under the operating expenses caption below.

Revenues

The following table sets forth by percentage and dollar, the changes in the Company's revenue and volume, measured by equivalent units:

Volume & Revenue Changes in the third quarter of 2009 compared to 2008

	<u>Overall</u>
Volume Percent Change:	
Total Equivalent Units	(2.4)%
Revenue Change (in millions):	
Core Service Revenue	\$ (1.9)
Other Revenues	<u>(3.2)</u>
Total Revenue Change	<u>\$ (5.1)</u>

Vessel capacity utilization southbound was 90.2% for three months ended September 30, 2009 compared to 97.0% for the same period in the previous year. Vessel capacity decreased along with southbound new and used auto volumes and southbound container and trailer volume. Vessel capacity northbound was 30.6% for the three months ended September 30, 2009 compared to 27.4% for the same period in the previous year. This change was primarily due to increased northbound volumes combined with decreased vessel capacity.

Total revenue for the three months ended September 30, 2009 was \$30.3 million, a decrease of 14.4% compared to \$35.4 million for the same period in the previous year. Excluding the effect of the fuel surcharge, revenue decreased 4.1% from the prior year period. The decrease in revenue was due to decreased cargo volumes and fuel surcharge revenue as a result of lower market prices in fuel. The Company's fuel surcharge is included in the Company's revenues and amounted to \$4.0 million during the three months ended September 30, 2009 compared to \$7.9 million for the same period in the previous year. Total charterhire revenue amounted to \$1.6 million during the three months ended September 30, 2009 compared to \$1.2 million for the same period in the previous year; this increase was primarily due to higher charter rates. Charterhire is rental revenue for vessels not in use in liner service. 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, 2009 and 2008.

Operating Expenses

Total operating expenses of the Company decreased during the three months ended September 30, 2009 compared to the same period in the previous year primarily as a result of lower inland and marine variable costs due to lower volumes and decreases in the market price of fuel. Rent and purchased transportation decreased by \$2.2 million or 24.7% due to decreases in cargo volumes and decreases in fuel related components of inland purchased transportation. Fuel expense decreased \$3.7 million or 48.4% due primarily to significant market price decreases. As noted above this decrease in expense was responsible for significant decreases in related fuel surcharge revenue. The fuel expense category does not include fuel related expenses embedded with third party inland purchased transportation that also experienced a decrease. The Company estimates that its fuel expense associated with purchased transportation decreased \$1.2 million or 50.1%. The average cost per gallon for tug fuel was down 49.5% in the third quarter of 2009 compared to a year ago and up 24.2% compared to the second quarter of 2009. As noted above, fuel surcharge revenue decreased \$3.9 million from the previous year. Other operating expenses decreased by \$0.8 million or 33.8% primarily due to lower legal costs associated with the DOJ investigation.

As a result of the factors described above, the Company reported net income of \$1.7 million or \$0.14 earnings per basic share and diluted share for the three months ended September 30, 2009 compared to net income of approximately \$34,000 or \$0.00 earnings per basic share and diluted share in the same period in 2008.

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Nine Months Ended September 30, 2009 Compared to the Nine Months Ended September 30, 2008

For the nine month period ended September 30, 2009, the Company had net income of \$1.6 million compared to a net loss of \$2.1 million in the same period of the previous year. The Company's operating income for the nine month period ended September 30, 2009 was \$9.1 million compared to operating income of \$5.5 million in the same period of the previous year.

The following table sets forth the indicated items as a percentage of net revenues for the nine months ended September 30, 2009 and 2008:

	Nine Months Ended September 30,	
	2009	2008
Operating revenues	100.0%	100.0%
Salaries, wages, and benefits	15.7	13.1
Purchased transportation and other rents	22.4	25.4
Fuel	12.7	23.0
Operating and maintenance (exclusive of depreciation & dry-docking shown separately below)	21.9	19.2
Dry-docking	0.8	0.2
Taxes and licenses	0.6	0.4
Insurance and claims	2.8	2.3
Communications and utilities	0.6	0.6
Depreciation and amortization	5.6	4.6
Loss on sale of property & equipment	-	0.1
Other operating expenses	6.0	5.6
Total operating expenses	89.1	94.5
Operating income	10.9	5.5
Net interest expense	(9.2)	(7.6)
Gain on debt extinguishment	0.2	-
Net income (loss)	1.9%	(2.1)%

The Company's operating expense ratio improved from 94.5% of revenues during the nine months ended September 30, 2008 to 89.1% of revenues for the same period in 2009. This change is explained under the operating expenses caption below.

Revenues

The following table sets forth by percentage and dollar, the changes in the Company's revenue and volume, measured by equivalent units:

Volume & Revenue Changes in the first nine months of 2009 compared to 2008

	Overall
Volume Percent Change:	
Total Equivalent Units	(6.2)%
Revenue Change (in millions):	
Core Service Revenue	\$ (7.9)
Other Revenues	(8.3)
Total Revenue Change	<u>\$(16.2)</u>

Vessel capacity utilization southbound was 86.0% for nine months ended September 30, 2009 compared to 84.3% for the same period in the previous year. Southbound container and trailer volume decreased but vessel capacity utilization increased due to one less Triplestack Box Carrier® ("TBC") vessel in liner service in the first and second quarter of 2009. Vessel capacity northbound was 29.3% for the nine months ended September 30, 2009 compared to 24.6% for the same period in the previous year. This change was primarily due to increased northbound volumes combined with decreased vessel capacity.

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Revenue for the nine months ended September 30, 2009 was \$83.6 million, a decrease of 16.2% compared to \$99.7 million for the same period in the previous year. Excluding the effect of the fuel surcharge, revenue decreased 8.1% from the same period in the previous year. The decrease in revenue was primarily due to decreased new and used auto volumes and fuel surcharge revenue as a result of lower market prices in fuel. The Company's fuel surcharge, which is included in the Company's revenues, amounted to \$10.3 million during the nine months ended September 30, 2009 compared to \$20.0 million for the same period in the previous year. Total charterhire revenue amounted to \$4.3 million during the nine months ended September 30, 2009 compared to \$2.7 million for the same period in the previous year, due to an additional TBC vessel chartered during 2009 and higher charter rates. 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 \$1.3 million during the nine months ended September 30, 2009 compared to \$1.7 million for the same period in the previous year. 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 \$0.5 million during the nine months ended September 30, 2009 compared to \$0.9 million for the same period in the previous year.

Operating Expenses

Total operating expenses of the Company decreased during the nine months ended September 30, 2009 compared to the same period in 2008 as a result of lower inland and marine variable costs due to lower volumes, one less barge/tug in liner service during the first and second quarter of 2009, and decreases in the market price of fuel. Rent and purchased transportation decreased by \$6.6 million or 26.0% due to decreases in volume and fuel related components of inland purchased transportation. Fuel expense decreased \$12.3 million or 53.6% due in part to decreased consumption with one less barge/tug in liner service in the first and second quarter of 2009, as well as significant market price decreases. As noted above, the fuel surcharge revenue collected by the company decreased \$9.7 million from the prior year period. The fuel expense category does not include fuel related expenses associated with embedded inland purchased transportation that also experienced a significant decrease. Fuel expense associated with purchased transportation decreased by \$3.4 million or 53.0%. The average cost per gallon for tug fuel decreased 50.8% in the first nine months of 2009 compared to the same period a year ago. Other operating expenses decreased by \$0.7 million or 12.5% as a result of lower legal costs related to the DOJ investigation. Dry-docking expense increased \$0.5 million from the prior year period due to regular dry-docking of two TBC vessels during the second and third quarters of 2009.

As a result of the factors described above, the Company reported net income of \$1.6 million or \$0.13 per basic and diluted share for the nine months ended September 30, 2009 compared to a net loss of \$2.1 million or \$0.18 loss per basic and diluted share in the same period in 2008.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operations was \$8.6 million in the first nine months of 2009 compared to \$3.0 million for the same period in the previous year. This increase of \$5.6 million resulted primarily from a decrease in accounts receivable of \$6.0 million as a result of improved collections and an improvement in net income of \$3.7 million. The increase was offset by a decrease in accrued liabilities of \$4.0 million as a result of lower inland purchased transportation expenses and fuel expenses for both inland and marine components due to lower volumes and fuel rates. Net cash used in investing activities was \$1.7 million in the first nine months of 2009 compared to \$0.9 million for the same period in 2008. The change is primarily due to the purchase of additional containers in the first three months of 2009. Net cash used in financing activities was \$3.8 million in the first nine months of 2009 compared to \$0.5 million used in the first nine months of 2008. This change was partially attributable to increased debt payments of \$1.4 million made in the third quarter of 2009 to retire a portion of the Company's 9.25% Senior Secured Notes which resulted in a gain on extinguishment of debt of \$132,500 (refer to Note 6 of the Company's Condensed Unaudited Financial Statements for further details). The Company may make additional purchases of its Senior Secured Notes in the future. The change in cash used in financing activities was also partially attributable to cash received from a draw on the Company's term loan with Wachovia during the second quarter of 2008. At September 30, 2009, cash amounted to approximately \$10.3 million, working capital was \$11.3 million, and shareholders' equity was \$0.3 million. The Company also had \$4.2 million in a reserve fund for its two series of Ship Financing Bonds designated as its 7.07% Sinking Fund Bonds due September 30, 2022 and 6.52% Sinking Fund Bonds due March 30, 2023. These bonds are guaranteed by the U.S. government under Title XI of the Merchant Marine Act of 1936, as amended (the "Title XI Bonds").

The Company's revolving credit facility with Wachovia, 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 based on a percentage of eligible accounts receivable. The revolving credit facility is secured by

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the Company's accounts receivable. At September 30, 2009, there were no advances drawn on this credit facility. During the fourth quarter of 2008, the Company 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 facility. As of September 30, 2009, the Company had \$9.5 million available under this facility as calculated by the borrowing base formula and therefore was not subject to the financial covenants.

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, 2009, approximately \$7.9 million was drawn on this loan to fund previous equipment purchases. This term loan is collateralized by eligible new equipment with a carrying value of \$15.6 million at September 30, 2009.

As of September 30, 2009, the Company was restricted from performing certain financial activities due to it not being in compliance with Title XI Bond covenants relating to certain leverage ratios. The provisions of the Title XI Bond 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. 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 Bond 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 of the Merchant Marine Act of 1936, as amended, and liens incurred in the ordinary course of business. As of September 30, 2009, the Company was in compliance with such restrictions.

OFF-BALANCE SHEET ARRANGEMENTS

As of September 30, 2009, the Company did not have any off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES

The Company believes that there have been no significant changes to its critical accounting policies during the nine months ended September 30, 2009, 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, 2008.

RECENT ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements are detailed in Note 3 of the Company's Condensed Financial Statements.

SUBSEQUENT EVENTS

On November 2, 2009, the Company made certain management changes based on the completion of a management and organization review commenced by the Company's Chief Executive Officer. These changes included the resignations of Ralph W. Heim, President and COO, and Robert van Dijk, Vice President of Pricing. These changes are expected to result in reduced operating costs and more streamlined responsibility. The Company expects to incur an estimated one-time \$500,000 charge during its fourth quarter and year ending December 31, 2009. In connection with the assumption of additional duties, the Company has granted additional stock options to four other executive officers.

On November 10, 2009 the Company entered into Indemnification Agreements with its officers and directors.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

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 as of September 30, 2009.

Changes in Internal Control Over Financial Reporting

There has been no significant change in our internal controls over financial reporting identified in connection with the evaluation referred to in the paragraph above that occurred during the three month period ended September 30, 2009 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 criminal 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.

Following publicity about the DOJ investigation, beginning on April 22, 2008, shippers in the Puerto Rico trade lane, and in one case indirect consumer purchasers within Puerto Rico, have filed at least 41 purported class actions against domestic ocean carriers, including Horizon Lines, Sea Star Lines, Crowley and the Company. The Company intends to continue its vigorous defense of these actions. 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, were consolidated into a single multi-district litigation proceeding (MDL 1960) in the District of Puerto Rico for pretrial purposes. On October 21, 2009, in connection with this consolidated proceeding, the Plaintiffs' lead counsel filed an amended class action complaint under seal. The Company filed a motion to dismiss that complaint with the court on November 4, 2009.

In June 2009, Horizon Lines and its related companies entered into a settlement agreement with certain named direct purchaser plaintiffs on behalf of a purported class of claimants in the MDL 1960 proceeding, while denying any liability for the underlying claims. The settlement agreement is subject to Court approval and is subject to various objections. On October 20, 2009, the Court heard arguments related to the approval of the settlement and now has the matter under advisement and is scheduled to conduct an additional hearing on this matter on November 12, 2009. It is not clear what, if any, impact the settlement agreement will have on further prosecution of the MDL 1960. The Company is not a party to the Horizon Lines settlement.

On October 9, 2009, the Company received a Request for Information and Production of Documents from the Puerto Rico Office of Monopolistic Affairs. The request relates to an investigation into possible price fixing and unfair competition in the Puerto Rico domestic ocean shipping business. The Company has indicated to the Puerto Rican authorities that it will cooperate fully with this investigation.

Significant legal fees and costs are expected to be incurred in connection with the DOJ investigation, the class actions, and the Puerto Rico Office of Monopolistic Affairs investigation. During the three month periods ended September 30, 2009 and 2008, costs were approximately \$360,000 and \$988,000, respectively. During the nine month periods ended September 30, 2009 and 2008, costs were approximately \$1,052,400 and \$1,124,000, respectively.

The Company is not able to predict the ultimate outcome or cost of the DOJ investigation, the civil class actions, or the Puerto Rico Office of Monopolistic Affairs investigation. However, should this result in an unfavorable outcome for the Company, it could have a material adverse effect on the Company's financial position and future operations.

The Company is involved in routine litigation and is subject to certain claims which arise in the normal course of business, none of which, in the opinion of management, are expected to have a material adverse effect on the Company's financial position or cash flows.

Item 1A. Risk Factors.

An investment in our securities involves a high degree of risk. There have been no material changes to the risk factors previously reported under Item 1A. of our annual report on Form 10-K for the year ended December 31, 2008.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities.

None

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

None.

Item 5. Other Information.

None

Item 6. Exhibits

(a) Exhibits

In reviewing the agreements included as exhibits to this report, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company, its subsidiaries or other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this report and the Company's other public files, which are available without charge through the SEC's website at <http://www.sec.gov>.

Exhibit Number	Description of Exhibit
10.31(1)#	Employment Agreement dated as of August 26, 2009, by and between Trailer Bridge, Inc. and Ivy Barton Suter
10.32#	Form of Director/Officer Indemnification Agreement
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
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 August 26, 2009.

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (“Agreement”) is entered into as of the 10th day of November, 2009, by and between Trailer Bridge, Inc., a Delaware corporation (the “Company”), and [] (“Indemnitee”).

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve corporations as directors or in other capacities unless they are provided with adequate protection through insurance and indemnification against risks of claims and actions against them arising out of their service to and activities on behalf of the corporation.

WHEREAS, the Board of Directors of the Company (the “Board”) has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself.

WHEREAS, the Certificate of Incorporation of the Company provides that the Company may indemnify and advance expenses to all directors and officers of the Company in the manner set forth therein and to the fullest extent permitted by applicable law. In addition, Indemnitee may be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (“DGCL”). The Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification.

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons.

WHEREAS, Indemnitee is concerned that the protection available under the Company’s Certificate of Incorporation and Bylaws and insurance may not be adequate, and may not be willing to continue to serve as an officer or director of the Company without greater certainty concerning such protection, and the Company desires Indemnitee to serve in such capacity and is willing to provide such greater certainty.

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified.

WHEREAS, this Agreement is a supplement to and in furtherance of the Certificate of Incorporation of the Company and any resolutions adopted pursuant thereto and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company’s stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

1. Indemnification .

(a) **Indemnification of Expenses .** The Company shall indemnify Indemnitee to the fullest extent permitted by law and the Company’s Certificate of Incorporation if Indemnitee was or is or becomes a party to or witness or other participant in, or is threatened to be made a party to or witness or other participant in, any threatened, pending or completed action, suit, proceeding or alternative dispute

resolution mechanism, or any hearing, inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative, investigative or other (hereinafter a "Claim") by reason of (or arising in part out of) any event or occurrence related to the fact that Indemnitee is or was a director, officer, employee, agent or fiduciary of the Company, or any subsidiary of the Company, or is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in such capacity (hereinafter an "Indemnifiable Event") against any and all expenses (including reasonable attorneys' fees and expenses, retainers, court, arbitration and mediation costs, fees of experts, bonds, witness fees, costs of collecting and producing documents, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other costs, expenses and obligations incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to defend, be a witness in or participate in, any such action, suit, proceeding, alternative dispute resolution mechanism, hearing, inquiry or investigation), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) of such Claim and any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement (collectively, hereinafter "Expenses"), including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses. Such payment of Expenses shall be made by the Company as soon as practicable but in any event no later than fifteen (15) days after written demand by Indemnitee therefor is presented to the Company, unless a determination is made by the Reviewing Party (as defined in Section 9.5 hereof) within said fifteen-day period that Indemnitee is not entitled to be indemnified under applicable law.

(b) **Reviewing Party** . Notwithstanding the foregoing, (i) the obligations of the Company under Section 1.1 shall be subject to the condition that the Reviewing Party shall not have determined (in a written opinion, in any case in which the Independent Legal Counsel referred to in Section 1.3 hereof is involved) that Indemnitee would not be permitted to be indemnified under applicable law (i.e. the Reviewing Party shall have determined that Indemnitee has met the applicable standards set forth in Section 145(a) and (b) of the DGCL). For clarification, nothing in this Section 1.2 shall be deemed to limit the provisions of Article 6 of the Company's Certificate of Incorporation (i.e., with respect to a director's potential liability to the Company with respect to (a) any breach of the director's duty of loyalty to the Company or its stockholders, (b) the director's acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law, (c) the director's violations under Section 174 of the DGCL, or (d) any transaction from which the director derived an improper personal benefit), and (ii) the obligation of the Company to make an advance payment of Expenses to Indemnitee pursuant to Section 2.1 (an "Expense Advance") shall be subject to the condition that, if, when and to the extent that the Reviewing Party determines that Indemnitee would not be permitted to be so indemnified, the Company shall be entitled to be reimbursed by Indemnitee (who hereby agrees to reimburse the Company within thirty days of a written request by the Company) for all such amounts theretofore paid; provided, however, that if Indemnitee has commenced or thereafter commences legal proceedings in a court of competent jurisdiction to secure a determination that Indemnitee should be indemnified, any determination made by the Reviewing Party that Indemnitee would not be permitted to be indemnified shall not be binding and Indemnitee shall not be required to reimburse the Company for any Expense Advance until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed). Indemnitee's obligation to reimburse the Company for any Expense Advance shall be unsecured and no interest shall be charged thereon. If there has not been a Change in Control (as defined in Section 9.3 hereof), the Reviewing Party shall be selected by the Board, and if there has been such a Change in Control, the Reviewing Party shall be the Independent Legal Counsel referred to in Section 1.3 hereof. If the Reviewing Party determines that Indemnitee would not be permitted to be indemnified in whole or in part, Indemnitee shall have the right to commence litigation seeking an initial determination by the court or challenging any such determination by the Reviewing Party or any aspect thereof, including the legal or factual bases therefor, and the Company hereby consents to service of process and to appear in any such proceeding. Any determination by the Reviewing Party otherwise shall be conclusive and binding on the Company and Indemnitee.

(c) **Change in Control** . The Company agrees that if there is a Change in Control of the Company then, with respect to all matters thereafter arising concerning the rights of Indemnitee to payments of Expenses and Expense Advances under this Agreement or any other agreement or under the Company's Certificate of Incorporation or Bylaws as now or hereafter in effect, Independent Legal Counsel (as defined in Section 9.4 hereof) shall be selected by mutual agreement of the Indemnitee and the Company (approval by either party shall not be unreasonably withheld). Such counsel, among other things, shall render its written opinion to the Company and Indemnitee as to whether and to what extent Indemnitee would be permitted to be indemnified under applicable law and, subject to the other provisions hereof, the Company and Indemnitee agree to abide by such opinion. The Company agrees to pay the reasonable fees of the Independent Legal Counsel referred to above and to fully indemnify such counsel against any and all expenses (including reasonable attorneys' fees), claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(d) **Mandatory Payment of Expenses** . Notwithstanding any other provision of this Agreement other than Section 8 hereof, to the extent that Indemnitee has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit, proceeding, inquiry or investigation referred to in Section 1.1 hereof or in the defense of any claim, issue or matter therein, Indemnitee shall be indemnified against all Expenses incurred by Indemnitee in connection therewith, but only to the extent permitted to be so indemnified under applicable law (i.e. only to the extent such Expenses or portions thereof are indemnifiable pursuant to the applicable provisions of Section 145(a) or (b) of the DGCL or successor provisions) and the Company's Certificate of Incorporation.

2. Expenses; Indemnification Procedure .

(a) **Advancement of Expenses** . The Company shall advance all Expenses incurred by Indemnitee. The advances to be made hereunder shall be paid by the Company to Indemnitee as soon as practicable but in any event no later than five (5) days after written demand by Indemnitee therefore to the Company. If the Company makes an advance of Expenses pursuant to Section 2.1, the Company shall be subrogated to every right of recovery that Indemnitee may have against any insurance carrier from whom the Company has purchased insurance for such purpose.

(b) **Notice/Cooperation by Indemnitee** . Indemnitee shall, as a condition precedent to Indemnitee's right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any Claim made against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be made in accordance with Section 13. In addition, Indemnitee shall promptly give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power. The failure of Indemnitee to give such notice, or to provide such information or cooperation, shall not affect Indemnitee's rights to indemnification under this Agreement, or the Company's obligations hereunder, except to the extent that the Company is materially prejudiced thereby.

(c) **No Presumptions; Burden of Proof** . For purposes of this Agreement, the termination of any Claim by judgment, order, settlement (whether with or without court approval) or conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief and shall not create a presumption that a court has determined that indemnification is not permitted by applicable law. In addition, neither the failure of the Reviewing Party to have made a determination as to whether Indemnitee has met any particular standard of conduct or had any particular belief, nor an actual determination by the Reviewing Party that Indemnitee has not met such standard of conduct or did not have such belief, prior to the commencement of legal proceedings by Indemnitee to secure a judicial determination that Indemnitee should be indemnified, shall be a defense to Indemnitee's claim or create a presumption that Indemnitee has not met any particular standard of conduct or did not have any particular belief. In connection with any determination by the Reviewing Party or otherwise as to whether Indemnitee is entitled to be indemnified hereunder, the burden of proof shall be on the Company to establish that Indemnitee is not so entitled.

(d) **Notice to Insurers** . If, at the time of the receipt by the Company of a notice of a Claim pursuant to Section 2.2 hereof, the Company has liability insurance in effect which may cover such Claim, the Company shall give prompt notice of the commencement of such Claim to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all reasonably necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such action, suit, proceeding, inquiry or investigation in accordance with the terms of such policies.

(e) **Selection of Counsel** . In the event the Company shall be obligated hereunder to pay the Expenses of any Claim, the Company shall be entitled to assume the defense of such Claim with counsel approved by Indemnitee, which approval shall not be unreasonably withheld, delayed or conditioned, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Claim; provided that, (i) Indemnitee shall have the right to employ Indemnitee's counsel in any such Claim at Indemnitee's expense and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) there is a conflict of interest between the Company and Indemnitee in the conduct of any defense, or (C) the Company shall not continue to retain such counsel to defend such Claim, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company. The Company shall have the right to conduct such defense as it sees fit in its sole discretion; provided, however, that the Company shall not be entitled to settle any claim against Indemnitee without the consent of the Indemnitee, which consent shall not be unreasonably withheld, conditioned or delayed, unless the settlement involves only the payment of monetary relief for which the Indemnitee will be indemnified and does not include a statement or an admission of fault or culpability by or on behalf of the Indemnitee.

3. **Additional Indemnification Rights; Nonexclusivity** .

(a) **Scope** . The Company hereby agrees to indemnify Indemnitee to the fullest extent permitted by law and the Company's Certificate of Incorporation, notwithstanding that such indemnification is not specifically authorized nor prohibited by the other provisions of this Agreement, the Company's Certificate of Incorporation or the Company's Bylaws. In the event of either (a) any change after the date of this Agreement in any applicable law, statute or rule which expands the right of a Delaware corporation to indemnify a member of its Board or an officer, employee, agent or fiduciary or (b) any change in the Company's Certificate of Incorporation which expands the right of the Company to indemnify a member of its Board or an officer, employee, agent or fiduciary, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits afforded by such change. In the event of either (x) any change in any applicable law, statute or rule which narrows the right of a Delaware corporation to indemnify a member of its Board or an officer, employee, agent or fiduciary or (y) any change in the Company's Certificate of Incorporation which narrows the right of the Company to indemnify a member of its Board or an officer, employee, agent or fiduciary, such change shall have no effect on this Agreement or the parties' rights and obligations hereunder except as set forth in Section 8.1 hereof. It is agreed and understood that, except as set forth in Section 8.1 hereof, this Agreement shall be interpreted as requiring indemnification of the Indemnitee in all instances permitted by the Company's Certificate of Incorporation as in effect on the date hereof notwithstanding any future amendments thereto.

(b) **Nonexclusivity** . The indemnification provided by this Agreement shall be in addition to any rights to which Indemnitee may be entitled under the Company's Certificate of Incorporation, its Bylaws, any agreement, any vote of stockholders or disinterested directors, the DGCL, or otherwise. The indemnification provided under this Agreement shall continue as to Indemnitee for any action Indemnitee took or did not take while serving in an indemnified capacity even though Indemnitee may have ceased to serve in such capacity.

4. **No Duplication of Payments** . The Company shall not be liable under this Agreement to make any payment in connection with any Claim made against Indemnitee to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Certificate of Incorporation, Bylaw or otherwise) of the amounts otherwise indemnifiable hereunder.

5. **Partial Indemnification** . If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses incurred in connection with any Claim, but not, however, for all of the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses to which Indemnitee is entitled.

6. **Mutual Acknowledgement** . Both the Company and Indemnitee acknowledge that in certain instances, federal law or applicable public policy may prohibit the Company from indemnifying its directors, officers, employees, agents or fiduciaries under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee; provided, however, that such determination shall in no event affect Indemnitee's right to recovery under any insurance policy contemplated by Section 7 hereof.

7. **Liability Insurance** .

(a) **General** . The Company agrees to maintain liability insurance applicable to officers and directors of the Company. Further, Indemnitee shall be covered by such policies in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer; or of the Company's key employees, agents or fiduciaries, if Indemnitee is not an officer or director but is a key employee, agent or fiduciary. The Company's obligation to provide liability insurance to Indemnitee pursuant to this Section 7.1 shall continue for the six-year period following the termination of Indemnitee's service to the Company as a director or an officer with respect to claims arising from facts or events occurring prior to the effective time of such termination.

(b) **Tail Coverage** . Following a Change in Control, notwithstanding anything in Section 7.1 to the contrary, for a period of no less than six years following the consummation of a Change in Control which results in the termination of Indemnitee's service to the Company as a director or officer, the Company and/or the successor company resulting from such Change in Control, shall cause to be maintained in effect the Company's then current D&O Insurance (or an equivalent "tail" or "runoff" policy) providing Indemnitee with coverage with respect to claims arising from facts or events occurring prior to the effective time of such Change in Control.

8. **Exceptions** . Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) **Excluded Action or Omissions** . To indemnify Indemnitee for Indemnitee's acts, omissions or transactions from which Indemnitee or the Indemnitee may not be relieved of liability under applicable law;

(b) **Claims Initiated by Indemnitee** . To indemnify or advance expenses to Indemnitee with respect to Claims initiated or brought voluntarily by Indemnitee and not by way of defense, except (i) with respect to actions or proceedings brought to establish or enforce a right to indemnification under this Agreement or any other agreement or insurance policy or under the Company's Certificate of Incorporation or Bylaws now or hereafter in effect relating to Claims for Indemnifiable Events, (ii) in specific cases if the Board has approved the initiation or bringing of such Claim, or (iii) as otherwise required under Section 145 of the DGCL, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advance expense payment or insurance recovery, as the case may be;

(c) **Lack of Good Faith** . To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such proceeding was not made in good faith or was frivolous;

(d) **Claims Under Section 16(b)** . To indemnify Indemnitee for expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any similar successor statute;

(e) **Proceeding by or in the Right of the Company** . To indemnify for judgments, fines and penalties incurred in connection with the defense or settlement of any Claim by or in the right of the Company to procure a judgment in its favor (except to the extent indemnification is permitted under Section 145(b) of the DGCL and the Company's Certificate of Incorporation);

(f) **Fraudulent Conduct** . To indemnify Indemnitee for any Expenses, judgments, fines or penalties resulting from Indemnitee's conduct which is finally adjudged to have been willful misconduct, knowingly fraudulent or deliberately dishonest; or

(g) **Unlawful Payment** . If a court of competent jurisdiction finally determines that such payment hereunder is unlawful.

9. **Construction of Certain Phrases** .

(a) **Company** . References to "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees, agents or fiduciaries, so that if Indemnitee is or was a director, officer, employee, agent or fiduciary of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, employee benefit plan, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) **Other Enterprises** . References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee, agent or fiduciary of the Company which imposes duties on, or involves services by, such director, officer, employee, agent or fiduciary with respect to an employee benefit plan, its participants or its beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

(c) **Change in Control** . A "Change in Control" shall be deemed to have occurred if:

i. (i) any person other than one or more of the members of the McLean Group (which means the following persons who, for purposes of identification only, are also stockholders of the Company as of

the date hereof: Clara L. McLean, Nancy McLean Parker, Malcom P. McLean, Jr., Patricia McLean Mendenhall and Artis E. James, Jr.), or their respective affiliates becomes the “beneficial owner” (as that term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities representing fifty percent (50%) or more of the total voting power of the Company’s then-outstanding voting securities;

ii. (ii) during any period of two (2) consecutive years, individuals who, at the beginning of such period constitute the Board, together with any new director whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds ($\frac{2}{3}$) of the directors then in office, either who were directors at the beginning of the two-year period, or whose election or nomination was previously so approved, cease for any reason to constitute a majority of the Board;

iii. (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other Company, other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately before such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty-one percent (51%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, with the holders of voting securities of the Company outstanding immediately before such merger or consolidation continuing immediately after the merger or consolidation to hold voting securities in substantially the same proportion as they owned prior to such merger or consolidation; or

iv. (iv) the stockholders of the Company approve a plan of complete liquidation of the Company, or an agreement for the sale or disposition by the Company (whether in one transaction or a series of transactions) of all or substantially all of the Company’s assets.

(d) **Independent Legal Counsel** . “Independent Legal Counsel” shall mean an attorney or firm of attorneys, selected in accordance with the provisions of Section 1.3 hereof, who shall not have otherwise performed services for the Company or Indemnitee within the last three years other than with respect to serving as Independent Legal Counsel with regard to the Company and other indemnitees under similar indemnity agreements.

(e) **Reviewing Party** . A “Reviewing Party” shall mean any appropriate person or body consisting of a member or members of the Board or any other person or body appointed by the Board who is not a party to the particular Claim for which Indemnitee is seeking indemnification, or Independent Legal Counsel.

10. Counterparts . This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

11. Binding Effect; Successors and Assigns . This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business and/or assets of the Company, spouses, heirs, and personal and legal representatives. The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all, or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. This Agreement shall continue in effect with respect to Claims relating to Indemnifiable Events regardless of whether Indemnitee continues to serve as a director, officer, employee, agent or fiduciary of the Company or of any other enterprise at the Company’s request.

12. Attorneys’ Fees . In the event that any action is instituted by Indemnitee under this Agreement or under any liability insurance policies maintained by the Company to enforce or interpret any of the terms hereof or thereof, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee with respect to such action, and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, a court of competent jurisdiction over such action determines that each of the material assertions made by Indemnitee as a basis for such action was not made in good faith or was frivolous. In the event of an action instituted by or in the name of the Company under this Agreement to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all Expenses incurred by Indemnitee in defense of such action (including costs and expenses incurred with respect to Indemnitee counterclaims and cross-claims made in such action), and shall be entitled to the advancement of Expenses with respect to such action, unless, as a part of such action, (a) a court having jurisdiction over such action determines that each of Indemnitee’s material defenses to such action was made in bad faith or was frivolous, or (b) such action relates to the recovery by the Company of expenses advanced and all other amounts paid prior to a determination by the Reviewing Party that Indemnitee would not be permitted to be so indemnified.

13. **Notice** . All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given (a) five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid, (b) upon delivery, if delivered by hand, (c) one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid, or (d) one day after the business day of delivery by facsimile transmission, if delivered by facsimile transmission, with copy by first class mail, postage prepaid, and shall be addressed if to Indemnitee, at the Indemnitee address as set forth beneath Indemnitee's signature to this Agreement and if to the Company at the address of its principal corporate offices (attention: Secretary) or at such other address as such party may designate by ten (10) days' advance written notice to the other party hereto.

14. **Consent to Jurisdiction** . The Company and Indemnitee each hereby irrevocably consents to the non-exclusive jurisdiction of the courts of Delaware for all purposes in connection with any action or proceeding which arises out of or relates to this Agreement.

15. **Severability** . The provisions of this Agreement shall be severable in the event that any of the provisions hereof (including any provision within a single section, paragraph or sentence) are held by a court of competent jurisdiction to be invalid, void or otherwise unenforceable, and the remaining provisions shall remain enforceable to the fullest extent permitted by law. Furthermore, to the fullest extent possible, the provisions of this Agreement (including, without limitations, each portion of this Agreement containing any provision held to be invalid, void or otherwise unenforceable, that is not itself invalid, void or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

16. **Choice of Law** . This Agreement shall be governed by and its provisions construed and enforced in accordance with the laws of the State of Delaware, as applied to contracts between Delaware residents, entered into and to be performed entirely within the State of Delaware, without regard to the conflict of laws principles thereof.

17. **Subrogation** . In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

18. **Amendment and Termination** . No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by both the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

19. **Integration and Entire Agreement** . This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto.

20. **No Construction as Employment Agreement** . Nothing contained in this Agreement shall be construed as giving Indemnitee any right to be retained in the employ of the Company or any of its subsidiaries.

[Remainder of page intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

TRAILER BRIDGE, INC.:

By: _____
Name:
Title:

Address:

INDEMNITEE:

By: _____
Name:

Address:

Certification

I, Ivy Barton Suter 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;
 - (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 12, 2009

/s/ Ivy Barton Suter
Ivy Barton Suter
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;
 - (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 12, 2009

/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 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, 2009 (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/ Ivy Barton Suter

Ivy Barton Suter

November 12, 2009

/s/ Mark A. Tanner

Mark A. Tanner

November 12, 2009