



09011420



Trailer Bridge, Inc.



Received SEC

MAY 19 2009

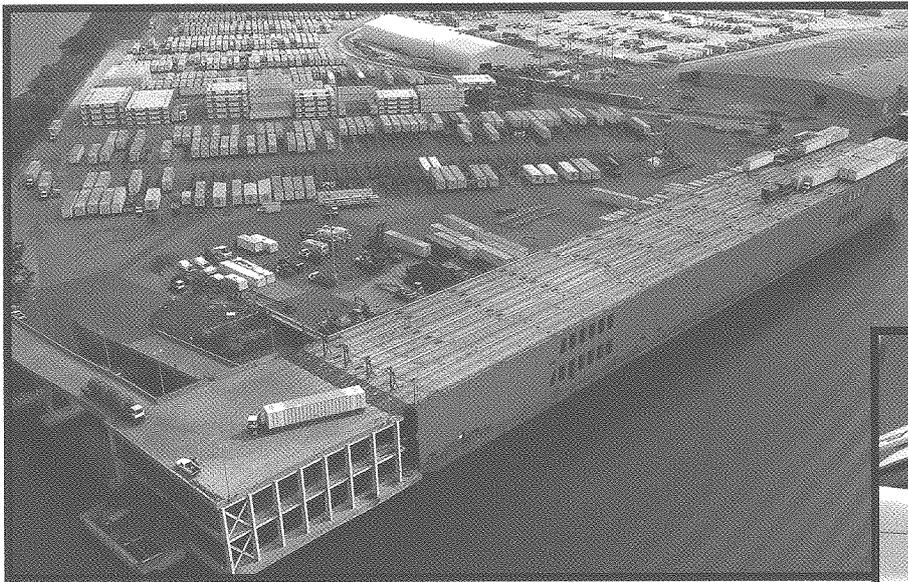
Washington, DC 20549

2008 Annual Report

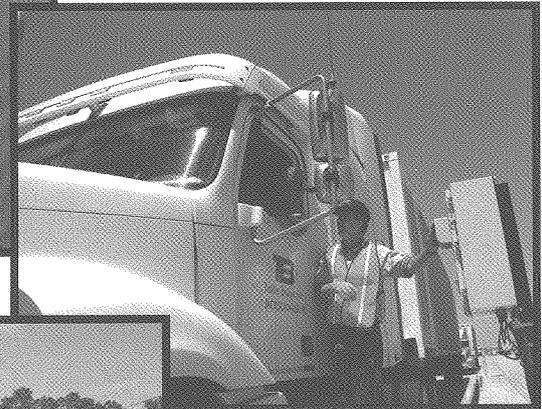
COMPANY PROFILE

Trailer Bridge, Inc. is an innovative marine freight transportation company that transports cargo between Continental US inland points and Puerto Rico and the Dominican Republic. The company is unique as service is built primarily around modern 53-foot long, high-cube containers and a cost efficient inland and ocean transport system. The innovative approach allows the company to achieve better costs than carriers utilizing smaller sized equipment, which in turn allows it to offer the best price to shippers.

Founded in 1991 by transportation pioneer Malcom P. McLean, Trailer Bridge has been a market leader in freight technology for off-shore domestic trade lanes and is the first carrier to exclusively operate 53-foot equipment in its international Dominican Republic service.



Roll-on/Roll-off vessel JAX-SAN JUAN BRIDGE loading at Jacksonville



Trailer Bridge over-the-road tractor and new 53-foot steel container



To Our Shareholders,

April 22, 2009

While Trailer Bridge continued to grow its 2008 volume and market share in Puerto Rico and the Dominican Republic, we were not profitable for the third consecutive year. We incurred a loss of \$0.27 per share versus a loss of \$0.02 in 2007 and a breakeven in 2006.

Your board has taken major steps to address this situation. First, in mid-2008 a fifth vessel that had been added in August 2007 to serve the Dominican Republic and expand service to Puerto Rico was redeployed to better match capacity with market demand. Second, in August, following the preferred corporate governance trend and to strengthen the oversight of the company, the board separated the positions of chairman of the board and chief executive officer, naming Allen L. Stevens chairman. Third, in December the board accepted the resignation of John D. McCown as chief executive, appointed Ralph W. Heim as interim chief executive officer, and initiated a search for a permanent chief executive.

While our expansion in Puerto Rico and addition of the Dominican market resulted in growth in market share, it was eclipsed by skyrocketing fuel prices in the first half of 2008 and a lengthening economic contraction in Puerto Rico. We have continued serving both markets with the revised four vessel deployment and our focus on growth, in both, remains unchanged.

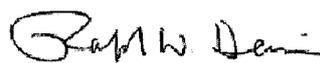
The Department of Justice's investigation into domestic shipping markets that began in April 2008 resulted in \$1.3 million of unexpected legal expenses during the year. Neither the company nor any of its employees has been charged with any wrong doing to date in this investigation and we will continue to cooperate with government officials.

Despite 2008's frustrations, the company experienced growth in both its year-over-year volumes and market shares. Our innovative business model is one that allows us to deliver better transportation value than any carrier with which we compete. Our fundamental differences and efficiencies give us the lowest cost, which translates into giving shippers the best price. At the heart of it all is a large modern 53 foot high cube container fleet, whose cubic foot advantages over smaller sized containers enables shippers to lower their landed cost-per-unit of product. Our ability to efficiently operate this large 53 foot fleet, on sea and on land, extends our economic value right up to a shipper or consignee's door.

2009 will be a challenging year for most businesses, including Trailer Bridge. In this environment, the charge to management is to maximize the cash flow from our existing business and to capitalize on the ability of our innovative freight system to deliver savings to cost-conscious shippers.

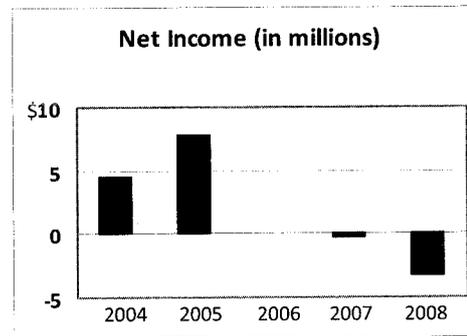
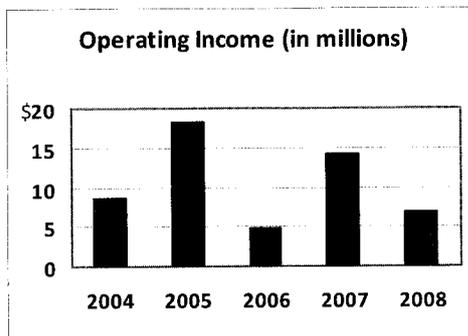
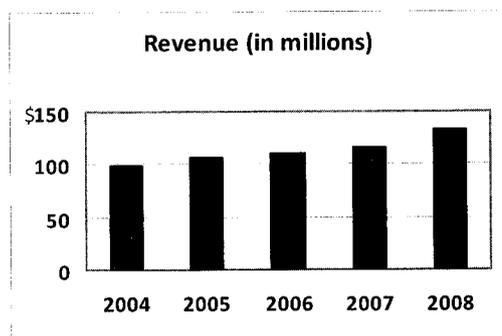


Allen L. Stevens
Chairman of the Board



Ralph W. Heim
President & Interim Chief Executive Officer

Consolidated Financial Highlights



For the year ended: (in thousands, except for per share data)

December 31, 2008	2008	2007	(1)(2)	2006	(1)(2)	2005	2004
Revenues	133,030	116,153		110,250		105,859	98,775
Operating income	6,960	14,208		4,851		18,250	8,597
Operating margin	5.2%	12.2%		4.4%		17.2%	8.7%
Net (loss) income	(3,239)	(251)		(18)		7,834	4,441
Basic (loss) earnings per share	(0.27)	(0.02)		0.00		0.67	0.20
At year end:							
Working capital	9,568	5,313		15,844		15,427	10,423
Total assets	123,333	122,846		118,943		120,032	114,732
Long-Term debt	111,420	108,107		105,603		107,631	109,595
Stockholder's (deficit) equity	(1,842)	1,413		943		782	(7,090)
For the year ended:							
Capital expenditures	2,095	19,820		3,194		6,323	1,889
Depreciation and amortization	6,160	5,641		5,278		4,420	3,081
Interest expense	10,354	10,274		10,250		10,525	4,174

(1) During the first and second quarters of 2006, the Company's two Ro/Ro vessels underwent required regulatory dry-docking. This was expensed during the period incurred in the amount of \$12,648,823. During the third quarter of 2007, the company began TBC service to the Dominican Republic.

(2) During 2006, the Company recorded a tax benefit of approximately \$5 million and decreased its valuation allowance by approximately \$3.1 million in accordance with SFAS 109. The Company believed it was more likely than not that this portion of the deferred tax asset would be recognized. The Company elected and filed its 2007 Federal Tax Return to be under the tonnage tax resulting in the increase of its valuation allowance of approximately \$4.6 million in 2007.

TRAILER BRIDGE, INC.

NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Trailer Bridge, Inc.:

The Annual Meeting of Stockholders of Trailer Bridge, Inc., a Delaware corporation (the "Company"), will be held at the offices of Sheppard Mullin Richter & Hampton LLP at 30 Rockefeller Plaza, 24th Floor, New York, NY 10112, at 10:00 am on Thursday, May 28, 2009 for the following purposes:

- (1) To elect the seven director nominees named in the attached Proxy statement to serve as directors of the Company until the next Annual Meeting of Stockholders;
- (2) To amend the Company's Stock Incentive Plan; and
- (3) To transact such other business as may properly be presented at the Annual Meeting or any adjournment thereof.

A proxy statement with respect to the Annual Meeting accompanies and forms a part of this Notice. The Company's Annual Report to Stockholders for the year ended December 31, 2008 also accompanies this Notice.

The Board of Directors has fixed the close of business on April 14, 2009, as the record date for determining stockholders entitled to notice of, and to vote at, the annual meeting and at any adjournments or postponements thereof. Each holder of shares of the Company's Common Stock is entitled to one (1) vote for each share of Common Stock held on the record date.

The date of this Proxy statement is April 27, 2009. This Proxy Statement and accompanying form of proxy are first being made available to stockholders via U.S. Mail on or about May 1, 2009.

By order of the Board of Directors,

WILLIAM G. GOTIMER, JR.
Executive Vice President,
General Counsel and Secretary

Jacksonville, Florida
April 27, 2009

**PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY AND
RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE WHETHER
OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING.**

*****IMPORTANT NOTICE*****

Regarding Internet Availability of Proxy Materials
for the Annual Meeting to be held on May 28, 2009.

**The Proxy Statement, Form of Proxy and Annual Report to security holders are available at
www.trailerbridge.com/proxy.**

**A stockholder who would like to obtain directions to the annual meeting may contact the Secretary of the
Company at the principal executive offices of the Company.**

**TRAILER BRIDGE, INC.
10405 NEW BERLIN ROAD EAST
JACKSONVILLE, FLORIDA 32226**

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of Trailer Bridge, Inc., a Delaware corporation (the "Company"), of proxies for use at the 2009 Annual Meeting of Stockholders of the Company to be held on Thursday, May 28, 2009 and any adjournment thereof (the "Annual Meeting"). This Proxy Statement and accompanying form of proxy are first being sent to stockholders on or about May 1, 2009.

The Company's Common Stock, \$0.01 par value (the "Common Stock") is the only issued and outstanding class of Common Stock. Only stockholders of record at the close of business on April 14, 2009 are entitled to notice of and to vote at the Annual Meeting. As of the record date, the Company had 11,875,022 shares of Common Stock outstanding and entitled to vote.

VOTING RIGHTS AND PROCEDURES

Shares represented by an effective proxy given by a stockholder will be voted as directed by the stockholder. If a properly signed proxy form is returned to the Company and is not marked, it will be voted in accordance with the recommendation of the Board of Directors on all proposals. A stockholder giving a proxy may revoke it at any time prior to the voting of the proxy by giving written notice to the Secretary of the Company, by executing a later dated proxy or by attending the Annual Meeting and voting in person.

Each share of Common Stock is entitled to one vote. The holders of a majority of the shares, present in person or represented by proxy, will constitute a quorum at the Annual Meeting. Abstentions will be treated as shares that are present and entitled to vote at the meeting and, thus, have the same effect as a vote against a matter. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to that matter.

Votes cast by proxy or in person at the Annual Meeting will be tabulated by the election inspectors appointed for the meeting and such election inspectors will determine whether or not a quorum is present.

The Board of Directors knows of no matters to be presented at the Annual Meeting other than those set forth in the Notice of 2009 Annual Meeting of Stockholders enclosed herewith. However, if any other matters do come before the meeting, it is intended that the holders of the proxies will vote thereon in their discretion. Any such other matter will require for its approval the affirmative vote of the holders of Common Stock having a majority of the votes present in person or represented by proxy at the Annual Meeting, provided a quorum is present, or such greater vote as may be required under the Company's Certificate of Incorporation, the Company's By-laws or applicable law. A list of stockholders as of the record date will be available for inspection at the Annual Meeting and for a period of ten days prior to the Annual Meeting at the Company's offices in Jacksonville, FL.

The Company does not have a formal policy requiring directors to attend annual meetings. One director attended the 2008 Annual Meeting.

ELECTION OF DIRECTORS

The number of directors of the Company, as determined by the Board of Directors under Article III of the Company's By-laws, is currently seven. Each director holds office until his or her successor is elected and qualified or until his or her earlier death, resignation, retirement, disqualification or removal.

Directors are elected by a plurality of the votes present in person or represented by proxy at the Annual Meeting and entitled to vote for the election of directors, provided a quorum is present. Stockholders are not allowed to cumulate their votes in the election of directors. Shares represented at the Annual Meeting in person or by proxy but withheld or otherwise not cast for the election of directors will have no effect on the outcome of the election.

The nominees for whom the enclosed proxy is intended to be voted are set forth below. Each nominee for election as director serves as a director of the Company as of the date of this Proxy Statement. It is not contemplated that any of these nominees will be unavailable for election, but if such a situation should arise, the proxy will be voted in accordance with the best judgment of the proxy holder for such person or persons as may be designated by the Board of Directors.

A majority of the Company's Board of Directors are independent, as defined by NASDAQ. The Board of Directors has determined that Robert P. Burke, Nickel van Reesema, Douglas E. Schimmel and Allen L. Stevens, each of whom is standing for re-election at the Annual Meeting, qualify as independent directors, as defined by NASDAQ.

Nominees for Election as Directors

<u>Name</u>	<u>Age</u>	<u>Business Experience During Past Five Years and Other Information</u>
Robert P. Burke	49	Mr. Burke became a director in August 2005. Mr Burke is currently a private investor in the maritime industry. Mr. Burke was most recently CEO of Chembulk Management, an owner and operator of a fleet of modern chemical tankers. Prior to that, Mr. Burke was CEO of Great Circle Capital from 2000-2005, a \$120 million private equity firm specializing in marine transportation investments that are funded by the Overseas Private Investment Corporation, an independent development agency, and private investors. Prior to Great Circle, Mr. Burke was a Managing Director at GE Capital, in charge of their Marine Transportation Group. Mr. Burke serves on the Audit, Nominating and Compensation Committees. Mr. Burke is a graduate of the U.S. Merchant Marine Academy at Kings Point, N.Y. and has a MBA from Columbia Business School.
John D. McCown	54	Mr. McCown, a director since 1991, most recently served as Vice Chairman of the Board and Chief Executive Officer of Trailer Bridge from 1995 to 2008. Prior to 1995, Mr. McCown was Vice President of the Company. In addition to his role at Trailer Bridge, he was Formerly President, Chief Executive Officer and a director of affiliate Kadampanattu Corp. He was also a director of Purcell Co., Inc., an affiliate, from 1992 to 2004. Mr. McCown worked with Malcom P. McLean, the founder of Trailer Bridge, in various capacities since 1980 and was co-executor of his Estate from 2001 to 2004. Prior to his involvement in the transportation field, he was a national accounts corporate loan officer for a New York City bank. Mr. McCown is a graduate of Harvard Business School (Master in Business Administration, 1980), Louisiana State University (Bachelor in Business Administration, 1975) and Marion Military Institute (Associate in Business Administration, 1974). Mr. McCown currently serves as a director of Firstmark Corporation, an aerospace company in Richmond, Virginia and as a member of the Business Advisory Committee of the Transportation Center at Northwestern University.
Malcom P. McLean Jr.(1)	57	Mr. McLean, a director since May 2002, is the owner of MPM Investments and the President of MPM Properties, Inc., a commercial real estate development company in Alabama. Since 1987, he has owned and managed various businesses in the restaurant and real estate field. From 1978 to 1986, Mr. McLean worked in various capacities at U.S. Lines, Inc., a large international container shipping company, where he was President from 1984 to 1986. Mr. McLean is the son of the late founder of Trailer Bridge and the brother-in-law of Gregory B. Mendenhall. He was also a director of Kadampanattu Corp.
Greggory B. Mendenhall(1)	64	Mr. Mendenhall, a director since May 2002, is special counsel with the law firm of Sheppard, Mullin, Richter & Hampton LLP. Prior to 2003 he was managing partner of the New York office of Schnader Harrison Segal & Lewis LLP, where he had practiced law for more than ten years. Mr. Mendenhall worked at U.S. Lines, a large international container shipping company, where he was a director and Vice President, Marine Operations from 1980-1986. Mr. Mendenhall has been involved in the maritime industry for over 25 years and currently represents various companies in the industry. Mr. Mendenhall is also an independent director since December 2007 of GS Maritime Holding, LLC., the parent company of United Maritime Group, LLC. which provides U.S.-flag transportation, storage and transfer of dry bulk commodities. Mr. Mendenhall has a JD from The George Washington University Law School and a BA from Brigham Young University.

<u>Name</u>	<u>Age</u>	<u>Business Experience During Past Five Years and Other Information</u>
Douglas E. Schimmel	43	Mr. Schimmel, a director since August 2007, is a Managing Director/Portfolio Manager at Sandler Capital Management, a New York City based investment advisor that manages both hedge funds and private equity funds. Through its various on-shore and offshore funds, Sandler manages approximately \$1.1 billion in assets. Mr. Schimmel, who joined Sandler in 1994, is a research analyst and leads credit analysis for the hedge funds. Prior to joining Sandler Capital, he was an equity research analyst at Merrill Lynch, covering and publishing research in the cable television and broadcasting industries. Before that, Mr. Schimmel was an analyst/portfolio manager at Wertheim Schroeder & Company specializing in media, telecommunications and package food and beverage company investments. Mr. Schimmel is a director and serves on the audit committee of Multivision Communications Corp., a public company trading on the TSX Venture Exchange, providing subscription television service in Bolivia. He has a B.A. from the University of Miami. Mr. Schimmel serves on the Compensation, Audit and Nominating Committees.
Allen L. Stevens	65	Mr. Stevens, Chairman since August 2008 and a director since May 2002, owns and manages several private companies with interests in shipbuilding and grain handling. Mr. Stevens has been involved in the maritime industry for over 30 years at Sea-Land Service and McLean Industries, Inc., container shipping companies. Mr. Stevens also serves as a partner of Club Quarters, an urban business hotel he co-founded. He is a graduate of the University of Michigan and Harvard Law School. Mr. Stevens is a director of Subsea 7, Inc., a public company, providing worldwide underwater construction services to the oil and gas industry. Mr. Stevens serves on the Compensation, Audit and Nominating Committees.
Nickel van Reesema	59	Mr. van Reesema, a director since June 2001, is the President and principal owner of Strong Vessel Operators, LLC, formerly Van Ommeren Shipping (USA) LLC, a U.S. flag ship owning company based in Stamford, Connecticut. Mr. van Reesema joined Royal Van Ommeren in The Netherlands in 1973 and became President of its U.S. subsidiary in 1979. He became a U.S. citizen in 1989 and with other management purchased VOSUSA in 1997. Mr. van Reesema is also the Chief Operating Officer of Pasha Hawaii Transport Lines LLC, which owns and operates a United States-flagged 4,300 PCTC engaged in trading between the United States mainland and Hawaii. In 2007, Mr. van Reesema and his son Volckert founded Mid Ocean Marine LLC, located in South Norwalk, CT. MOM will pursue US flag shipping opportunities. Mr. van Reesema serves on both the Compensation and Nominating Committees.

(1) Mr. Mendenhall and Mr. McLean are brothers-in-law.

The Board of Directors recommends that the stockholders vote FOR the election of each nominee for director named above.

EXECUTIVE OFFICERS OF THE COMPANY

Executive officers of the Company serve at the will of the Board of Directors. The executive officers of the Company are as follows:

NAME	AGE	POSITION
Ralph W. Heim	62	President and Interim Chief Executive Officer
William G. Gotimer, Jr.	49	Executive Vice President, General Counsel and Secretary
Adam E. Gawrysh, Jr.	42	Vice President of Inland Transportation
David A. Miskowiec	61	Vice President of Sales
J. Edward Morley	61	Vice President of Operations
Mark A. Tanner	57	Vice President of Administration and Chief Financial Officer
Robert van Dijk	62	Vice President of Pricing

Mr. Heim has served as President since November 1995 and Interim Chief Executive Officer since December 2008. From January 1992 until December 2008, Mr. Heim served as President and Chief Operating Officer of the Company. From May 1991 until November 1995, Mr. Heim served as Vice President of the Company. Prior to joining Trailer Bridge in 1991, Mr. Heim worked at Crowley Maritime Corporation for five years in various operating capacities primarily related to its Puerto Rico service. His other transportation experience includes more than 15 years with Sea-Land, Puerto Rico Marine Management and U.S. Lines in diverse domestic and international assignments. Mr. Heim graduated from Jacksonville University with a B.S. in Business Management.

Mr. Gotimer was appointed Executive Vice President in April 2003 and has served as General Counsel since 1991. Mr. Gotimer served as a director of the Company from 2001 to August 2005. Prior to the Company's purchase of Kadampanattu Corp. in December 2004, he was a director, Vice President and General Counsel of Kadampanattu Corp. His previous experience includes legal counsel with British Airways, Plc., Pan American World Airways and McLean Industries. Mr. Gotimer has an LL.M. degree in Taxation from New York University School of Law and both a JD and B.S. degree in accounting from St. John's University.

Mr. Gawrysh has served as Vice President Inland Operations since September 2005 and directs all inland transportation operations. Prior to joining Trailer Bridge in 1992, Mr. Gawrysh spent three years in various sales positions with several less than truckload transportation companies. Since joining Trailer Bridge he has held positions in the sales and inland transportation areas. Mr. Gawrysh graduated from Western Illinois University with a Bachelor of Science.

Mr. Miskowiec has served as Vice President of Sales since November 1998. Prior to joining Trailer Bridge in 1997, Mr. Miskowiec worked at Crowley American Transport where he held a variety of sales and management positions. From 1994 until 1997 he served Crowley American Transport in various capacities including as Director of Corporate Accounts, Director of Puerto Rico Trade and Area Manager Commodity Sales. Mr. Miskowiec graduated from the University of Minnesota with a B.A. in Political Science.

Mr. Morley has served as Vice President of Operations since July 1992 and is responsible for marine and terminal operations. Prior to joining Trailer Bridge in 1991, Mr. Morley was with Sea-Land where he was responsible for operations in Puerto Rico from 1990 to 1991.

Mr. Tanner, a CPA, has served as Vice President of Administration and Chief Financial Officer since January 1992. Mr. Tanner joined Trailer Bridge in 1991 from Crowley Maritime Corporation where he held various financial management positions for over four years. His prior experience includes three years as Manager of Corporate Planning and Development for a large publicly held company and five years experience in public accounting. Mr. Tanner graduated from the University of North Florida with a B.B.A. degree in accounting.

Mr. van Dijk has served as Vice President of Pricing since July 1992 and directs all pricing related activities. Prior

to joining Trailer Bridge in 1991, Mr. van Dijk worked for Crowley Maritime Corporation, where he directed pricing for the Puerto Rico service. Mr. van Dijk's pricing related experience includes over 30 years with American Transport, U.S. Lines, Weyerhaeuser Shipping, Sea-Land and Holland America Lines.

CODE OF ETHICS

The Company has adopted a code of ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions as well as to directors, officers and employees generally. The code of ethics is available on the Company's website at www.trailerbridge.com. The Company intends to disclose any amendments to, or waivers of, its code of ethics on its website.

MEETINGS AND COMMITTEES OF THE BOARD

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating Committee. During the year ended December 31, 2008, the Board of Directors met eight times and the Special Committee of the Board of Directors (described under "Ownership of the Capital Stock of the Company") and the Audit Committee each met five times. The Nominating and Compensation Committees formally met once each during 2008. During 2008, all directors, other than Messrs. Schimmel and van Reesema attended at least 75% of the meetings of the Board of Directors and of the committees thereof on which they served.

	General	Special Committee	Compensation Committee	Audit Committee	Nominating Committee
Total Number of Meetings	8	5	1	5	1
Number of meetings attended by each director					
Robert P. Burke	7	5	1	5	1
John D. McCown	8	5	N/A	N/A	N/A
Malcom P. McLean, Jr.	8	N/A	N/A	N/A	N/A
Greggory B. Mendenhall	8	N/A	N/A	N/A	N/A
Douglas E. Schimmel	8	5	1	3	1
Allen L. Stevens	7	5	1	5	1
Nickel van Reesema	7	3	1	N/A	1

Mr. Van Reesema did not attend at least 75% of the meetings of the Special Committee of the Board of Directors.

Mr. Schimmel did not attend at least 75% of the meetings of the Audit Committee of the Board of Directors.

The Nominating Committee is composed of Messrs. Burke, Schimmel, Stevens and van Reesema, each of whom is independent under NASDAQ rules. The Nominating Committee operates under a written charter, which is included as Appendix A to this Proxy Statement.

The Board of Directors, with the concurrence of the Nominating Committee, will consider written recommendations from stockholders for nominees for director. Stockholders wishing to submit names for consideration should submit the following to the Corporate Secretary, at the Company's address as set forth on page one of this proxy statement:

- * Biographical information about the candidate and a statement about his or her qualifications;
- * Any other information required to be disclosed about the candidate under the Securities and Exchange Commission's proxy rules (including the candidate's written consent to being named in the proxy statement and to serve as a director, if nominated and elected); and
- * The name(s) and address(es) of the stockholder(s) recommending the candidate for consideration and the number of shares of Common Stock beneficially owned by each.

Stockholders must submit written recommendations to the Secretary of the Company at the principal executive offices of the Company no later than January 2, 2010 in order to be timely.

The Board of Directors, with the concurrence of the Nominating Committee, will apply the same criteria to all candidates it considers including any candidates submitted by stockholders. These criteria include independence, personal integrity, leadership skills, strategic thinking, education, professional experience, professional reputation,

willingness to make a time commitment, and breadth of knowledge about matters affecting Trailer Bridge and its industry. There are no stated minimum criteria for director nominees. Rather, the Board of Directors, of the Nominating Committee, will look for skills and experience that will complement the board's existing make-up.

The Nominating Committee evaluates incumbent directors to determine whether they should be nominated to stand for re-election, based on the types of criteria outlined above as well as the directors' contributions to the board during their current term. All nominees for 2009 are incumbent directors. When vacancies develop, the Nominating Committee will solicit input regarding potential new candidates from a variety of sources, including existing directors and senior management. The Nominating Committee will evaluate potential candidates based on their biographical information and qualifications and also may arrange personal interviews of qualified candidates by one or more board members, including independent members, and senior management.

The duties of the Audit Committee, which operates under a written charter adopted by the Board of Directors, are to oversee the Company's internal control structure; review the Company's financial statements and other financial information to be included in the Company's 10-K and Annual Report to Stockholders; select the independent auditors for the Company; and review the Company's annual audit plan, among other things. The Audit Committee is comprised of Allen L. Stevens, who acts as its Chairman, Robert P. Burke, and Douglas E. Schimmel, each of whom is "independent" under NASDAQ rules. A copy of the Audit Committee Charter was included as Appendix B to the Company's proxy statement for its Annual Meeting of Stockholders in 2007.

The duties of the Compensation Committee, which does not currently operate under a written charter, are to make recommendations to the Board of Directors concerning the salaries of the Company's officers; to exercise the authority of the Board of Directors concerning the Company's Incentive Stock Plan; and to advise the Board of Directors on other compensation and benefit matters. The members of the Compensation Committee are Messrs. Stevens, van Reesema, Burke and Schimmel. Mr. Schimmel acts as Chairman of the Compensation Committee.

OWNERSHIP OF THE CAPITAL STOCK OF THE COMPANY

The following table sets forth information with respect to the number of shares of Common Stock beneficially owned by (i) each director or nominee for director of the Company, (ii) the executive officers of the Company, (iii) all directors, nominees and executive officers of the Company as a group, and (iv) based on information available to the Company and a review of statements filed with the Commission pursuant to Section 13(d) and 13(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), each person that owns beneficially (directly or together with affiliates) more than 5% of the Common Stock as of April 13, 2009. The Company believes that each individual or entity named has sole investment and voting power with respect to shares of the Common Stock indicated as beneficially owned by them, except as otherwise noted.

Name (1)	Outstanding Common Stock		Right to Acquire Common Stock	Common Stock and Right to Acquire Common Stock	Percent (2)	Percent of Outstanding Voting Stock
Malcom P. McLean, Jr. (15)	1,512,274	(10)	-	1,512,274	12.6%	12.6%
Greggory B. Mendenhall (15)	1,480,935		-	1,480,935	12.4%	12.4%
Nancy McLean Parker (3)(15)	1,439,423		-	1,439,423	12.0%	12.0%
John D. McCown	1,376,125	(9)	-	1,376,125	11.5%	11.5%
Clara L. McLean (4)(15)	1,334,500		-	1,334,500	11.1%	11.1%
Irena Z. McLean (5)(6)	1,019,952		-	1,019,952	8.5%	8.5%
Douglas E. Schimmel	230,000		-	230,000	1.9%	1.9%
Ralph W. Heim	45,975		147,300 (7)	193,275	1.6%	*
William G. Gotimer	27,055	(11)	81,800 (7)	108,855	*	*
Mark A. Tanner	30,452	(12)	74,600 (7)	105,052	*	*
Allen L. Stevens	98,850	(14)	-	98,850	*	*
Robert Van Dijk	20,145	(13)	74,600 (7)	94,745	*	*
J. Edward Morley	15,314		74,600 (7)	89,914	*	*
David A. Miskowiec	12,203		74,600 (7)	86,803	*	*
Adam E. Gawrysh, Jr.	432		27,000 (7)	27,432	*	*
Robert P. Burke	27,200		-	27,200	*	*
Nickel van Reesema	2,200		12,500 (8)	14,700	*	*
All directors, nominees and executive officers as a group (14 persons)	4,879,160		567,000	5,446,160	40.0%	38.4%

* Less than 1%

No shares have been pledged as security by directors, nominees or executive officers except as noted below.

(1) The address of each owner is 10405 New Berlin Road E., Jacksonville, Florida 32226 unless otherwise shown in notes to the table.

(2) The percentages in this column have been computed in accordance with Rule 13d-3 under the Exchange Act. Therefore, the percentages assume the acquisition by the person shown (but not by anyone else) of shares issuable upon exercise of stock options that are presently exercisable or become exercisable within 60 days.

(3) The address of Nancy McLean Parker is 39 Crescent Trail #19, Highlands, North Carolina 28741.

(4) The address of Clara L. McLean is 170 Frye Road, Pinehurst, NC, 28374.

(5) The address of Irena Z. McLean is c/o McCullough, Goldberg & Staudt, LLP, 1311 Mamaroneck Avenue, Suite 340, White Plains, New York 10605.

(6) Includes 294,952 shares that are held by a trust for the benefit of her nieces and nephews under Paragraph J of Article III of the Last Will and Testament of Malcom P. McLean, of which Irena Z. McLean is trustee. As trustee of the trust, Irena Z. McLean has sole voting and dispositive power over these shares. However, Mrs. McLean expressly disclaims beneficial ownership of these shares.

(7) Consists of options to acquire shares under the Company's Incentive Stock Plan that are presently exercisable or become exercisable within 60 days.

(8) Consists of options to acquire shares under the Company's Non-Employee Incentive Stock Plan that are presently exercisable or become exercisable within 60 days.

(9) 143,205 of the shares beneficially owned have been pledged as security for a margin account. As of the date of

this proxy statement there was no margin debt outstanding.

(10) 1,443,922 of the shares beneficially owned have been pledged as security for a margin account.

(11) 9,063 of the shares beneficially owned have been pledged as security for a margin account. As of the date of this proxy statement there was no margin debt outstanding.

(12) 28,452 of the shares beneficially owned have been pledged as security for a margin account. As of the date of this proxy statement there was no margin debt outstanding.

(13) 20,145 of the shares beneficially owned have been pledged as security for a margin account. As of the date of this proxy statement there was no margin debt outstanding.

(14) 8,850 of the shares beneficially owned have been pledged as security for a margin account. As of the date of this proxy statement there was no margin debt outstanding.

(15) Pursuant to Schedule 13D/A filed on November 21, 2007, the shares are held as a member of a group. The members have an informal and unwritten understanding that they will vote as a group.

In November 2007, members of the McLean family owning 48.9% of the Company's outstanding common stock filed an amended Schedule 13D with the Securities and Exchange Commission disclosing their intent to actively market their shares of the Company's common stock. The Company's Board of Directors appointed a special committee of non-family directors to meet and work closely with the McLean family and its advisors and represent the interests of the Company and its public stockholders in any transaction or sale of holdings proposed by the family and to explore strategic alternatives. As a result of an investigation by the U.S. Department of Justice, (the "DOJ") the family has suspended its proposed sale of the Company's common stock.

During the first quarters of 2008 and 2009, the Compensation Committee approved the use of the cashless exercise method for select officers for the January 1998 and March 1999 options, respectively. These cashless transactions allowed the aggregate spread of each holder's options exercise minus relevant taxes to determine the number of shares issued to the holder. Each holder's resulting tax liabilities were paid by the Company and reduced the Company's Additional Paid In Capital Balance. The January 2008 cashless transaction resulted in an aggregate of 2,753 shares issued to officers out of 90,000 options to purchase common stock. The March 2009 cashless transaction resulted in an aggregate of 52,487 shares issued to officers out of 148,500 options to purchase common stock.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors, and greater than ten-percent stockholders are required by Commission regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during 2008 all applicable Section 16(a) filing requirements were complied with by the officers, directors, and greater than ten-percent beneficial owners.

EXECUTIVE COMPENSATION

Overall Policy Regarding Executive Compensation

The Compensation Committee reviews and establishes, subject to approval of our Board of Directors, the compensation arrangements for our Chief Executive Officer and the other executive officers of the Company, including salaries, an incentive bonus plan, discretionary bonuses and grants of stock options under the Company's Incentive Stock Plan. With respect to other officers, the Compensation Committee considers the input of the CEO.

Compensation Objectives and Philosophy

The design and operation of our compensation structure reflect the following objectives:

- Recruiting and retaining talented leadership;
- Implementing measurable individual annual performance targets and goals;
- Correlating compensation more closely with stockholder value; and
- Emphasizing at risk and performance-based compensation, progressively weighted with level of responsibility.

The principal components of our compensation program are base salary, annual incentive bonuses, discretionary bonuses and long-term incentive awards in the form of stock options. We blend these elements in order to formulate compensation packages which provide competitive pay, reward the achievement of financial, operational and strategic objectives, and align the interests of our executive officers and other senior personnel with those of our stockholders.

Amounts in the bonus column below represent amounts earned pursuant to our discretionary annual incentive bonus program. The Compensation Committee and our senior executive officers structure discretionary annual incentive bonuses, which are payable only in cash, to reward executive officers and certain other members of management for attaining specific performance goals within their assigned area such as increases in revenue, finding material cost saving, refining processes, etc. during the preceding fiscal year. The annual discretionary incentive compensation program is based upon up to ten percent of the actual earnings before taxes subject to certain adjustments. The resulting incentive compensation is allocated among participating employees by assigning a certain number of points to each participant. The points under the annual incentive compensation program are determined by the Compensation Committee with consideration of the employee's job position, length of service, and other factors.

Summary Compensation Table

The following table sets forth a summary of the annual, long-term, and other compensation for services rendered to the Company for the years ended December 31, 2008 and December 31, 2007 paid or awarded to those persons who were, at December 31, 2008: (i) the Company's chief executive officer at any time during 2008 and (ii) the Company's two most highly compensated executive officers (who are also the Company's most highly compensated employees) other than the chief executive officer (collectively, including the Company's chief executive officer, the "Named Executive Officers").

Name and Principal Position	Year	Salary (\$)	Bonus \$(1)	Option Awards \$(2)	All Other Compensation \$(3)	Total Compensation (\$)
John D. McCown (4) Former Chief Executive Officer	2008	380,786	4,232	87,655	831,782	1,304,455
	2007	373,320	16,057	66,000	1,923	457,300
Ralph W. Heim, President and Chief Executive Officer	2008	249,900	7,309	51,809	19,160	328,178
	2007	245,000	27,736	43,236	18,935	334,907
Mark A. Tanner, Vice President of Administration and Chief Financial Officer	2008	180,608	4,232	41,184	16,109	242,133
	2007	174,500	16,057	34,489	16,993	242,039
William G. Gotimer, Jr. Executive V. P. and General Counsel	2008	303,450	4,232	49,284	7,156	364,122
	2007	297,500	16,057	41,256	7,731	362,544

(1) This column is based upon amounts earned during the fiscal year.

(2) Option award amounts reflect the dollar amounts recognized for financial statement reporting purposes for the fiscal year ended December 31, 2008, in accordance with Financial Accounting Standard No. 123R, Share-Based Payment. The FAS 123(R) assumptions used in the calculation of the fair market value of the stock options are provided in the table below. The fair value of the stock options will likely vary from the actual value the holder receives because the actual value depends on the number of options exercised and the market price of our stock on the date of exercise.

SFAS 123(R) Assumptions:

The following table sets forth the SFAS 123(R) assumptions used in the calculation of the stock options presented in "Summary Compensation Table."

	Years ended December 31,	
	2008	2006
Expected life	6.5 years	6.5 years
Weighted average volatility	45.98%	86.00%
Weighted average risk-free interest rate	3.40%	4.57%
Dividend yield	None	None

There were no stock options granted during 2007.

(3) Represents the Company's matching contribution to the Company's Section 401(k) deferred compensation plan, car allowance and excess group life insurance premiums, respectively, as follows:

	2008				2007		
	401(k)	Car	Life Ins.	Severance	401(k)	Car	Life Ins.
John D. McCown	\$ -	\$ -	\$ 1,962	\$829,820	\$ -	\$ -	\$ 1,923
Ralph W. Heim	\$ 6,900	\$ 8,700	\$ 3,560	\$ -	\$ 6,750	\$ 8,700	\$ 3,485
Mark A. Tanner	\$ 5,806	\$ 8,700	\$ 1,603	\$ -	\$ 6,750	\$ 8,700	\$ 1,543
William G. Gotimer, Jr.	\$ 6,154	\$ -	\$ 1,002	\$ -	\$ 6,750	\$ -	\$ 981

(4) Mr. McCown resigned as the Company's Chief Executive Officer on December 15, 2008. Mr. McCown's employment agreement was amended so that the Company will pay his severance in equal installments over a 24 month period (instead of 50% in a lump sum within 30 days after separation from service with the remaining amount paid over a 24 month period). The Company had recorded \$829,820 in salaries, wages, and benefits as of December 31, 2008 related to Mr. McCown's severance agreement.

Option/SAR Grants in 2008 Fiscal Year

On January 9, 2008, the Company granted options to purchase 96,500 shares of the Company's common stock under the Company's Incentive Stock Plan. The options are subject to time vesting in equal increments over a five year period.

Option/SAR Exercises in 2008 Fiscal Year

During the first quarter of 2008, the Compensation Committee approved the use of the cashless exercise method for select officers for the July 1998 options. This cashless transaction allowed the aggregate spread of each holder's options exercise minus relevant taxes to determine the number of shares issued to the holder. Each holder's resulting tax liabilities were paid by the Company and reduced the Company's Additional Paid in Capital Balance. This cashless transaction resulted in an aggregate of 5,429 shares issued to the Officer Group out of 90,000 options to purchase common stock.

Outstanding Equity Awards at 2008 Fiscal Year End

The following table sets forth the outstanding equity awards held by the executive officers of the Company at December 31, 2008.

Name	Number of Securities Underlying Unexercised Options - Exercisable (#)	Number of Securities Underlying Unexercised Options - Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date
John D. McCown	20,000	30,000	8.61	12/20/16 (1)(3)
	-	20,000	10.90	01/09/18 (2)(3)
	20,000	50,000		
Mark A. Tanner	24,000	-	2.25	03/23/09
	38,400	-	2.84	07/25/10
	25,000	-	2.88	05/10/12
	9,200	13,800	8.61	12/20/16 (1)
	-	10,000	10.90	01/09/18 (2)
	96,600	23,800		
William G. Gotimer, Jr.	24,000	-	2.25	03/23/09
	38,400	-	2.84	07/25/10
	30,000	-	2.88	05/10/12
	11,000	16,500	8.61	12/20/16 (1)
	-	12,000	10.90	01/09/18 (2)
	103,400	28,500		
Ralph W. Heim	48,000	-	2.25	03/23/09
	103,200	-	2.84	07/25/10
	30,000	-	2.88	05/10/12
	11,600	17,400	8.61	12/20/16 (1)
	-	12,500	10.90	01/09/18 (2)
	192,800	29,900		

All options expiring prior to December 2016 are fully vested and exercisable.

(1) Options vest ratably each year over a five year period which commenced on December 20, 2007 and will continue on each of December 20, 2008, 2009, 2010 and 2011.

(2) Options vest ratably each year over a five year period which commenced on January 9, 2008 and will continue on each of January 9, 2010, 2011, 2012 and 2013.

(3) Mr. McCown resigned as Chief Executive Officer of the Company on December 15, 2008. These options were forfeited as of March 15, 2009.

Employment Agreements, Including Potential Payments Upon Termination

On October 21, 2008, the Company and John D. McCown, Jr., the former Chief Executive Officer of the Company, entered into an Amended and Restated Employment Agreement, which amended and restated the employment agreement dated August 5, 2004 between the Company and Mr. McCown. The Amended and Restated Employment Agreement was revised: (i) to provide for Mr. McCown to receive twenty-four months of his monthly based salary, which equates to \$380,786 annually, (instead of 50% in a lump sum within 30 days after separation from service with the remaining amount paid over a 24 month period) and continued participation in the Company's health plan as an active employee for up to two years in the event he is terminated by the Company without cause (provided that

Mr. McCown provides certain post-termination transition consulting services to the Company) and (ii) to revise the length of the agreement not to compete to twelve months following a termination of employment.

On December 15, 2008, Mr. McCown resigned as Chief Executive Officer of the Company. The Company recorded approximately \$830,000 related to all future payments and obligations under Mr. McCown's severance agreement. On December 17, 2008, the Company purchased 100,000 shares of the Company's common stock from John D. McCown at \$4.00 per share at which time the closing market price was \$4.20 per share.

On December 31, 2008, in order to comply with Section 409(A) of the Internal Revenue Code, the Company and William G. Gotimer, Jr. entered into an Amended and Restated Employment Agreement relating to his service as Executive Vice President and General Counsel of the Company, effective as of December 31, 2008.

The term of Mr. Gotimer's employment agreement is two years and it is automatically renewed for successive two-year terms. If the Company terminates Mr. Gotimer's employment without cause or Mr. Gotimer terminates his employment for good reason, as those terms are defined in the employment agreement, he will be entitled to receive two years of his base salary, which is currently \$303,450. This amount will not be subject to mitigation or reduction for other employment obtained during this period. In addition, Mr. Gotimer will be treated as continuing his employment during such two-year period for purposes of his stock options, including vesting and exercise provisions.

COMPENSATION OF DIRECTORS

Directors of the Company other than Mr. McCown (who is treated as an employee) receive an annual retainer of \$15,000; independent directors receive an annual retainer of \$20,000. In addition, each member of the Audit and Compensation Committees receives \$10,000 for service on each committee. Each member of the Nominating Committee receives \$5,000. In addition to the above, the Chairman of the Audit Committee receives an additional \$15,000. Director fees for 2008 totaled \$215,000. Under the current configuration of the Committees the Company's board fees for 2009 are expected to be \$215,000. All directors are reimbursed for expenses incurred in attending meetings. Directors who are employees of the Company or treated as such, do not receive additional compensation for such services.

The following table summarizes the compensation paid to the non-employee directors during 2008.

Name	Fees Earned or Paid in Cash (\$)	Total (\$)
Malcom P. McLean, Jr.	15,000	15,000
Greggory B. Mendenhall	15,000	15,000
Robert P. Burke	45,000	45,000
Allen L. Stevens	60,000	60,000
Nickel van Reesema	35,000	35,000
Douglas E. Schimmel	45,000	45,000

REPORT OF THE AUDIT COMMITTEE

The purpose of the Audit Committee, which has been established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, is to oversee the quality and integrity of the accounting, auditing, internal control and financial reporting practices of the Company. The Audit Committee is comprised of Allen L. Stevens, Robert P. Burke, and Douglas E. Schimmel, each of who is "independent" under NASDAQ rules. All the Committee members are "financially literate," and the Board of Directors has determined that Mr. Stevens, the Committee Chair, qualifies as an "audit committee financial expert" as defined by the Securities and Exchange Commission and NASDAQ.

For the year ended December 31, 2008, the Audit Committee:

- * retained BDO Seidman, LLP as the Company's independent public accountants;
- * reviewed and discussed the Company's fiscal 2008 financial statements with management and representatives of BDO Seidman, LLP, the Company's independent public accountants;
- * discussed with BDO Seidman, LLP the matters required to be discussed and received copies of material written communications between BDO Seidman, LLP and management as required by Statement on Auditing Standards No. 61, as amended ("Communications with Audit Committees") and Rule 2-07 of Regulation S-X;
- * received the written disclosures and the letter from BDO Seidman, LLP and The GriggsGroup, P.A., a member of the BDO Alliance network of firms, as mandated by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence; and
- * discussed with BDO Seidman, LLP its independence.

Based on the foregoing review, discussions and disclosures, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements for the year ended December 31, 2008 be included in the Company's annual report on Form 10-K for the year 2008.

AUDIT COMMITTEE:
Allen L. Stevens, Chairman
Robert P. Burke
Douglas E. Schimmel

Principal Accounting Firm Fees

The following table provides information relating to the fees billed or to be billed to the Company for the years ended December 31, 2008 and 2007, by BDO Seidman, LLP, the Company's independent registered public accounting firm:

	<u>Audit Fees (a)</u>	<u>Audit-Related Fees (b)</u>	<u>Tax Fees</u>	<u>All Other Fees</u>	<u>Total Fees</u>
Fiscal Year 2008	\$ 178,100	-	14,233	-	\$ 192,333
Fiscal Year 2007	\$ 174,000	\$ 3,000	-	-	\$ 177,000

(a) The aggregate fees and expenses billed by BDO Seidman, LLP ("BDO") included professional services rendered for the audit of the Company's annual financial statements for the fiscal years ended December 31, 2008 and 2007, and for the reviews of the financial statements included in the Company's Quarterly Reports on Form 10-Q for those fiscal years. Over 50% of the total hours spent by the auditors in carrying out the audit of the Company's financial statements for the years ended December 31, 2008 and 2007, were spent by the GriggsGroup, P.A., members of the BDO Alliance network of firms. Such members are not full-time, permanent employees of BDO Seidman, LLP.

(b) In 2007, the Company incurred audit-related fees of \$3,000 in connection with the filing of Form S-8 on November 28, 2007.

There are no exceptions to the policy of securing pre-approval of the audit committee for any service provided by our independent accounting firm.

CERTAIN TRANSACTIONS

On December 17, 2008, the Company purchased 100,000 shares of the Company's common stock from John D. McCown at \$4.00 per share at which time the closing market price was \$4.20 per share. This was in connection with Mr. McCown's resignation as Chief Executive Officer of the Company on December 15, 2008. Mr. McCown's employment agreement was amended so that the Company will pay his severance in equal installments over a 24 month period (instead of 50% in a lump sum within 30 days after separation from service with the remaining amount paid over a 24 month period). Approximately \$830,000 is recorded in salaries, wages, and benefits as of December 31, 2008 related to Mr. McCown's severance agreement.

In 2007, the Company made principle payments totaling approximately \$0.9 million and interest payments totaling approximately \$40,000 to Malcom P. McLean, Jr., Nancy McLean Parker and Patricia McLean Mendenhall, the spouse of Gregory B. Mendenhall, based on an outstanding debt. The debt owed to these parties arose from a deferred payable due to the Company's affiliate K Corp., which was transferred to the Estate of Malcom P. McLean prior to the Company's acquisition of K Corp. in December 2004. The debt was distributed by the Estate to the parties listed above. The debt had an interest rate of 8.03%. At December 31, 2007, the debt had been completely repaid.

PROPOSAL TO AMEND THE INCENTIVE STOCK PLAN

Introduction

The board of directors has approved, subject to shareholder approval, an amendment to increase the number of shares covered by the Company's Incentive Stock Plan (the "Stock Plan") by 500,000 shares. As of March 31, 2009, there were 1,800,000 shares covered under the Stock Plan. There were 724,613 options that had been exercised, 838,500 options that were outstanding and 236,887 options that were available for issuance under the Stock Plan. A copy of the amendment is attached to this Proxy Statement as Appendix B.

Reasons for and Possible Effect of the Amendment

The increased number of shares covered by the Stock Plan will allow the continuation of the Company's policy of providing incentive awards in the form of stock options to eligible employees. These awards provide a means for key employees to increase their personal financial interest in the Company, stimulating the efforts of these employees and strengthening their desire to remain with the Company.

Principal Features of the Stock Plan

The Stock Plan authorizes incentive awards in the form of options to purchase shares of common stock. All present and future key employees of the Company are eligible to receive awards under the Stock Plan (approximately 75 present employees are eligible to receive option awards). No more than 235,500 shares of common stock may be allocated to awards granted to any employee during any single calendar year. In the event of a stock dividend, stock split, merger or consolidation of shares or similar transaction, the number and type of shares subject to the Stock Plan or subject to outstanding options may be appropriately adjusted.

A committee of the board of directors consisting of at least two outside directors administers the Stock Plan and has the complete authority to determine when to grant awards, which employees are eligible to participate in the Stock Plan, which eligible employees will receive awards, the number of shares to be allocated to each award and the terms and conditions of each award. The committee may impose conditions on the exercise of options, including performance targets and waiting periods, and may accelerate the exercisability of options.

Options to purchase shares of common stock granted under the Stock Plan may be incentive stock options or nonstatutory stock options. The option price of common stock may not be less than 100% (or, in the case of an incentive stock option granted to a 10% shareholder, 110%) of the fair market value of the common stock on the date of the option grant. The value of incentive stock options, based on the exercise price of options that become exercisable for the first time in any calendar year, is limited to \$100,000.

If the option so provides, an optionee exercising an option may pay the purchase price in cash, by delivering shares of common stock or by delivering an exercise notice together with instructions to a broker to promptly deliver to the Company the amount of sale proceeds from the option shares to pay the exercise price.

Unless otherwise provided in the terms of the award, no options may be sold, transferred or pledged, or otherwise disposed of, other than by will or by the laws of descent and distribution. All rights granted to a participant under the Stock Plan are exercisable during his or her lifetime only by such participant. In its discretion, the committee may permit a participant to transfer an option without consideration to the participant's children, grandchildren and/or spouse, or to trusts for the benefit of such family members or other entities of which such family members are the only equity owners.

The board of directors may amend or terminate the Stock Plan at any time, provided that no change will adversely affect any outstanding options without the option holder's consent. If not sooner terminated by the board, the Stock Plan, as amended, will terminate on July 23, 2012.

Federal Income Tax Consequences

The holder of an incentive stock option generally recognizes no income for federal income tax purposes at the time of the grant or exercise of the option. However, the spread between the exercise price and the fair market value of the underlying shares on the date of exercise generally will constitute a tax preference item for purposes of the alternative minimum tax. The optionee generally will be entitled to long term capital gain treatment upon the sale of shares acquired pursuant to the exercise of an incentive stock option, if the shares have been held for more than two

years from the date of the option grant and for more than one year after exercise. Generally, if the optionee disposes of the stock before the expiration of either of these holding periods (a "disqualifying disposition"), the gain realized on disposition will be compensation income to the optionee to the extent the fair market value of the underlying stock on the date of exercise exceeds the applicable exercise price. The Company will not be entitled to an income tax deduction in connection with the exercise of an incentive stock option but will generally be entitled to a deduction equal to the amount of any ordinary income recognized by an optionee upon a disqualifying disposition.

No income will be recognized by a participant at the time a nonstatutory option is granted. The exercise of a nonstatutory stock option will generally be a taxable event that requires the participant to recognize, as ordinary income, the difference between the fair market value of the shares at the time of exercise and the option exercise price. The Company ordinarily will be entitled to claim a federal income tax deduction on account of the exercise of a nonstatutory option equal to the ordinary income recognized by the participant.

Vote Required

The amendment to the Stock Plan will be approved if the votes cast in favor of approval of the amendment exceed the votes cast against approval. Abstentions and broker-non-votes will have no effect on the outcome of the vote.

The board of directors believes that approval of the amendment to the Stock Plan is in the best interest of all shareholders and recommends a vote for the amendment to the Stock Plan.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has selected BDO Seidman, LLP as the Company's independent registered public accounting firm for 2009. No representatives from BDO Seidman, LLP are expected to be present at the Annual Meeting or available to make a statement or to respond to questions from shareholders.

PROXY SOLICITATION EXPENSE

The expense of proxy solicitation will be paid by the Company. In addition to the solicitation of proxies by use of the mail, solicitation also may be made by telephone, telegraph or personal interview by directors, officers, and regular employees of the Company, none of whom will receive additional compensation for any such solicitation. The Company will, upon request, reimburse brokers, banks, and similar organizations for out-of-pocket and reasonable clerical expenses incurred in forwarding proxy material to their principals.

STOCKHOLDER PROPOSALS AND COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Proposals of stockholders must be received in writing by the Secretary of the Company at the principal executive offices of the Company no later than January 2, 2010, in order to be considered for inclusion in the Company's proxy statement relating to the next annual meeting of stockholders. The persons named in proxies solicited by the Company's Board of Directors for the next annual meeting may exercise discretionary voting power with respect to any shareholder proposal which is not required to be included in the Company's proxy statement and which is received later than March 9, 2010.

Stockholders who wish to communicate with the Company's Board of Directors or with a particular director should send a letter to the Company's General Counsel, Trailer Bridge, Inc., 10405 New Berlin Road East, Jacksonville, Florida 32226. The mailing envelope should contain a clear notation indicating that the enclosed letter is a "Stockholder-Board Communication" or "Stockholder-Director Communication." The letter should identify the author as a stockholder and clearly state whether the intended recipients are all members of the board or one or more specified individual directors. The Secretary will make copies of each such letter and circulate it to the appropriate director or directors.

OTHER MATTERS

The Board of Directors does not intend to present at the Annual Meeting any matters other than those described herein and does not presently know of any matters that will be presented by other parties. If any other matters properly come before the Annual Meeting, it is intended that the accompanying proxy may be voted on such matters in accordance with the views of management.

Each stockholder, whether or not he or she expects to be present in person at the Annual Meeting, is requested to MARK, SIGN, DATE, and RETURN THE ENCLOSED PROXY in the accompanying envelope as promptly as possible. A stockholder may revoke his or her proxy at any time prior to voting.

By order of the Board of Directors,

WILLIAM G. GOTIMER, JR.
Executive Vice President,
General Counsel and Secretary

Jacksonville, Florida
April 27, 2009

TRAILER BRIDGE, INC.
NOMINATING COMMITTEE CHARTER

Purpose

The purpose of the Nominating Committee (the "Committee") is:

1. to assist the Board in establishing criteria and qualifications for potential Board members, and
2. to identify high quality individuals who have the core competencies and experience to become members of the Company's Board and to recommend to the Board the director nominees for the next annual meeting of shareholders.

Committee Membership

The Committee shall consist of those directors who qualify as "independent directors," as defined by NASDAQ rules. The members of the Committee may, if they so desire, elect a Chair, who shall serve at the pleasure of the Committee.

Meetings

- The Committee shall meet at least twice annually, and more frequently as circumstances may dictate.
- The Committee will meet at the call of its Chairman or the Chairman of the Board.
- A majority of the Committee members will be quorum for the transaction of business.
- The action of a majority of those present at a meeting at which a quorum is present will be the act of the Committee.
- Any action required to be taken at a meeting of the Committee will be deemed the action of the Committee without a meeting if all of the Committee members executed, either before or after the action is taken, a written consent and the consent is filed with the Corporate Secretary.
- Minutes shall be taken at each meeting of the Committee and included in the permanent minutes of the Company.
- A report of the Committee shall be presented to the Board on a regular basis, and no less frequently than annually.

Committee Authority and Responsibilities

1. The Committee shall have the sole authority to retain and terminate any search firm to be used to identify director candidates and shall have sole authority to approve the search firm's fees and other retention terms. The Committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.

2. The Committee shall establish criteria and core competencies for potential director candidates, actively seek qualified and experienced individuals for any vacancies, and recommend nominees to the full Board, including incumbents standing for re-election.
3. When vacancies develop, the Committee will solicit input regarding potential new candidates from management as well as existing directors, and will look for candidates with skills and experience that will complement the board's existing make-up.
4. The Committee shall work with the entire Board in assessing board performance in connection with the nominations process.
5. The Committee shall develop procedures for shareholders to submit recommendations for nominees. The Committee will consider and apply the same criteria to, any candidates submitted to the Committee by shareholders that the Committee applies to its own candidates.

**AMENDMENT NO. 4
TO
TRAILER BRIDGE, INC.
STOCK INCENTIVE PLAN**

Pursuant to Section 7.1 of the Trailer Bridge, Inc. Stock Incentive Plan (the "Plan"), the Board of Directors, in order to provide incentive to key employees of the Company and align their interest with those of stockholders, hereby adopts the following amendment to the Plan in order to increase the number of Shares covered by the Plan by 500,000 Shares (all capitalized terms not otherwise defined herein shall have the meanings set forth in the Plan):

Section 4.1 of the Plan is hereby amended to read in full as follows:

"4.1 **NUMBER OF SHARES AVAILABLE.** Subject to Section 4.3, the maximum number of Shares which may be issued under the Plan is Two Million Three Hundred Thousand (2,300,000) Shares."

This Amendment, and all grants of Shares authorized by this Amendment, shall be subject to approval by the stockholders of the Company within 12 months from the date of adoption of this Amendment by the Company's Board of Directors.

Except as amended hereby, the Plan shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment has been adopted by the Company's Board of Directors this 8th day of April, 2009.

TRAILER BRIDGE, INC.

By: /s/ Ralph W. Heim
Ralph W. Heim
Interim CEO

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the Fiscal Year Ended December 31, 2008

OR

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

For the transition period from _____ to _____

Commission file number 0-15087

TRAILER BRIDGE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

13-3617986

(I.R.S. Employer Identification No.)

10405 New Berlin Road East
Jacksonville, FL 32226

(Address of Principal Executive Offices, including Zip Code)

(904) 751-7100

(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, par value \$0.01 per share

Nasdaq Stock Market, LLC

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in the registrant's definitive proxy statement incorporated by reference in Part III of this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of the shares of the registrant's \$0.01 par value common stock held by non-affiliates of the registrant as of June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter was \$40,108,764 (based upon \$5.76 per share being the price at which the common equity was last sold). In making this calculation the issuer has assumed, without admitting for any purpose, that all executive officers and directors of the registrant are affiliates.

SEC
Mail Processing
Section
MAY 19 2009
Washington, DC
101

As of March 20, 2009, 11,975,511 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: The information set forth under Part III, Items 10, 11, 12, 13, and 14 of this Report is incorporated by reference from the registrant's definitive proxy statement for the 2009 annual meeting of stockholders that will be filed no later than 120 days after the end of the year to which this report relates.

TRAILER BRIDGE, INC.
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2008

TABLE OF CONTENTS

PART I

Item 1.		
Business.....	3	
Item 1A.		
Risk Factors.....	10	
Item 1B.		
Unresolved Staff Comments.....	14	
Item 2.		
Properties.....	14	
Item 3.		
Legal Proceedings.....	15	
Item 4.		
Submission of Matters to a Vote of Security Holders.....	16	

PART II

Item 5.		
Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.....	17	
Item 6.		
Selected Financial Data.....	18	
Item 7.		
Management's Discussion and Analysis of Financial Condition and Results of Operations.....	19	
Item 7A.		
Quantitative and Qualitative Disclosures About Market Risk.....	29	
Item 8.		
Financial Statements and Supplementary Data.....	30	
Item 9.		
Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.....	52	
Item 9A(T).		
Controls and Procedures.....	52	
Item 9B.		
Other Information.....	53	

PART III

Items 10 – 14.
Incorporated by Reference..... 53

PART IV

Item 15.
Exhibits, Financial Statement Schedules..... 54
SIGNATURES..... 58
EXHIBIT INDEX..... 54

PART I

Forward Looking Statements

This report on Form 10-K 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, changes in rate levels for transportation services offered by the Company, changes in the cost of fuel, DOJ investigation and related class actions, and economic recessions and severe weather. An additional description of the Company’s risk factors is described in Part 1 – Item 1A. “Risk Factors”. 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.

Item 1. Business

BUSINESS OVERVIEW

Trailer Bridge Inc. (“Trailer Bridge”) was incorporated in 1991 and is headquartered in Jacksonville, Florida. Trailer Bridge is an integrated trucking and marine freight carrier that provides freight transportation between the continental U.S., Puerto Rico and the Dominican Republic. Trailer Bridge was the first, and remains the only company serving markets governed by the Jones Act to exclusively operate marine vessels fully configured to carry 48' and 53' long, 102" wide, "high-cube" equipment. This configuration enables the Company to achieve operating efficiencies not readily available to traditional ocean carriers that primarily use smaller capacity equipment, such as 40' containers, as the 53' containers have 61% more inside cubic space compared to traditional 40' marine containers which typically results in lower per cubic foot shipping costs on both land and sea for customers. The Company also utilizes tug/barge vessels which result in lower costs per unit mile at sea compared to traditional self-propelled vessels. Trailer Bridge’s vessels are loaded and unloaded using both a cost-efficient roll-on, roll-off process and a unique patented process for its newer vessels, both of which result in lower operating costs per unit compared to traditional container gantry crane operations.

In 1998 and 1999, Trailer Bridge took delivery of five 403' long container carrying barges designed specifically for the Company's integrated truckload marine transportation system and bearing the Company's Triplestack Box Carrier® ("TBC") trade name. In 2004, Trailer Bridge purchased two roll-on/roll-off ("ro/ro") barges that it previously chartered from a related party. The TBC's are versatile, low-draft vessels that have a capacity of 281 53' containers. The Company currently utilizes the two mid-bodied ro/ro vessels and two TBC's to provide two weekly sailings between Jacksonville, Florida and San Juan, Puerto Rico and one bi-weekly sailing between and among Jacksonville, Florida, San Juan, Puerto Rico and Puerto Plata, Dominican Republic. As of December 31, 2008, three TBC's were chartered to a third party.

In this Form 10K, unless the context requires a different interpretation, "Trailer Bridge", the "Company", "we", "us", and "our" refer to Trailer Bridge, Inc.

OPERATIONS

At December 31, 2008, Trailer Bridge operated a fleet of 119 tractors, comprised of 81 company owned units and 38 leased and owner operator units, 3,912 53' high cube containers, 3,164 53' chassis, 210 high-cube trailers and 299 53' vehicle transport modules that transport truckload freight between the Company's Jacksonville port facility, its San Juan, Puerto Rico port facility, the Dominican Republic and inland points in the U.S. and Puerto Rico. In addition the Company leased 313 40' chassis and 392 40' high-cube containers. The Company provides full truckload service between inland points within the continental U.S., primarily to reposition equipment in order to service loads to and from Puerto Rico. The Company maintains a centralized dispatch and customer service center at its Jacksonville headquarters to coordinate the movement of customer freight throughout the Company's transportation system. Sales and customer service representatives solicit and accept freight, quote freight rates and serve as the primary contact with customers. Dispatch, sales and customer service personnel work together to coordinate freight to achieve the most optimum load balance and minimize empty miles within the Company's truckload operation.

At December 31, 2008, Trailer Bridge operated two 736' triple-deck, ro/ro ocean-going barges and two 403' TBC's. Loading of the ro/ro barges is performed with small maneuverable yard tractors operated by stevedores hired from an outside contractor. Each ro/ro vessel is towed at approximately 9 knots by one 7,200 horsepower diesel-powered tug. Each TBC is towed at approximately 9 knots by one 4,600 horsepower diesel-powered tug. The tugs are time-chartered and are manned by employees of one major tug owner. Compared to a self-propelled vessel, a tug/barge unit has reduced Coast Guard manning requirements and higher fuel efficiency compared to the steam turbine vessels operated by competitors. The construction cost and maintenance costs of tug/barges are also lower compared to self-propelled vessels. With relative cost efficiencies at the operating, fuel and capital cost lines, the Company's tug/barge vessel model results in lower costs per unit mile at sea compared to the self-propelled vessels it competes with. The tug/barge model also results in less toxic emissions than steam turbine vessels, which use residual fuel. The greater fuel efficiency and much cleaner distillate fuel associated with our tug/barge model results in 4 to 6 times fewer total emissions per cargo unit, and up to 10 and 16 times less particulate matter and sulfur oxide, respectively, compared to the self-propelled vessels now serving Puerto Rico. The large number of U.S. tugs available for charter provides the Company with a reliable source for towing services.

MARKETING AND CUSTOMERS

Sales professionals based in Jacksonville, Florida, San Juan, Puerto Rico, Santiago, Dominican Republic, and other key U.S. cities aggressively market Trailer Bridge to shippers as a customer-oriented provider

of value-priced and dependable service. The Company services major shippers with high volume, repetitive shipments whose freight lends itself to integrated trucking and marine service.

The Company believes that price is the primary determinant in the freight lanes in which it serves. Rates are quoted and contracted for on a per container load basis but the Company seeks to highlight that its containers carry up to 61% more of a shippers cargo compared to traditional containers. The Company highlights the effective cost per cubic foot of both the freight rate and any surcharges and calculates what those charges would need to be with a competitor's smaller container to result in better overall cost economics. The Company seeks to obtain additional business by highlighting the advantageous cost per cubic foot pricing embodied in its proposals. However, the Company also believes that it provides enhanced service that results from its use of an intermodal model built around 53' equipment that is the standard for movements on the mainland. The intermodal model provides for moving products from one location to another by various means, including water, truck and rail. This intermodal service frees the customer from the operational complexities of coordinating the interface between over-the-road, rail and marine service. This customer service philosophy has generated increased demand from existing customers.

Because the Company has a diversified customer base, typical shipments to Puerto Rico include furniture, consumer goods, raw materials for manufacturing, electronics, new and used automobiles, and apparel, whereas, the typical shipments from Puerto Rico normally include healthcare products, pharmaceuticals, electronics, shoes and recyclables. Management intends to continue the Company's efforts both to increase business with existing customers and add new core relationships.

The Company maintains written contracts with the majority of its customers. These contracts generally specify service standards and rates, eliminating the need for negotiating the rate for individual shipments. A contract typically requires a minimum tender of cargo during a specified term in return for a set rate.

The continental United States/Puerto Rico trade lane in which the Company operates is imbalanced with approximately 80% of the freight moving southbound. The Company's core business is southbound containers and trailers but it also moves new automobiles, used automobiles, non-containerized, or freight not in trailers ("NITs") and freight moving in shipper owned or leased equipment ("SOLs").

VESSELS

Ro/Ro Barges

At December 31, 2008, the Company owned and operated two 736' by 104' triple-deck ro/ro barges. Each deck has ten lanes that are accessed from the stern of the vessel via ramp structures in Jacksonville, Florida and San Juan, Puerto Rico that have been built specifically for the Company. On each vessel, 86 equivalent 53' slots have been converted to carry new and used automobiles on car decks that allow up to 11 cars to fit in the space previously used for one 53' unit. The container/chassis combinations and trailers are secured on the vessel by attachment to pullman stands that are engaged and disengaged with specially configured yard tractors used to pull the container/chassis combinations and trailers into position on the vessel.

Triplestack Box Carriers

At December 31, 2008, the Company owned five TBC's that are single deck barges designed to carry 53' containers. Two TBCs are currently operating in scheduled liner service between Jacksonville, Florida, San Juan, Puerto Rico and Puerto Plata, Dominican Republic. These vessels utilize the same port facilities as the ro/ro barge vessels in Jacksonville and San Juan. A call every 14 days in Puerto Plata, Dominican Republic was added to the rotation in August 2007. The Company developed and patented an innovative system for loading and unloading the TBC's that requires minimum capital expenditures and

labor resources. Wheeled vehicles, known as reach-stackers, carry and load the containers onto the vessels. These highly maneuverable vehicles are also used by railroads to load containers on rail cars for intermodal transportation. The reach-stackers are significantly less expensive than the cranes typically required for loading and unloading containers from the holds of large cargo ships and instead directly access the deck of the vessel via simple and movable linear planks.

At December 31, 2008, three TBCs were chartered to a third party.

VESSELS OWNED BY THE COMPANY

<u>VESSEL NAME</u>	<u>TYPE</u>	<u>CAPACITY</u>	<u>SERVICE as of 12/31/08</u>
SAN JUAN JAX BRIDGE	Ro/Ro	405 53' units	Jax/San Juan
JAX SAN JUAN BRIDGE	Ro/Ro	405 53' units	Jax/San Juan
ATLANTA BRIDGE	TBC	281 53' units	Chartered
CHICAGO BRIDGE	TBC	281 53' units	Chartered
CHARLOTTE BRIDGE	TBC	281 53' units	Jax/San Juan
BROOKLYN BRIDGE	TBC	281 53' units	Chartered
MEMPHIS BRIDGE	TBC	281 53' units	Jax/San Juan/Puerto Plata

RAMP STRUCTURES

The loading and unloading of the Company's two 736' by 104' triple-deck ro/ro barges is accomplished through the use of ramp structures at both the San Juan and Jacksonville locations. The Company owns a floating ramp structure in San Juan for the two 736' by 104' triple-deck ro/ro barges. In Jacksonville, the Company has the preferential right to use a land-base ramp structure built and owned by the Jacksonville Port Authority.

OWNED REVENUE EQUIPMENT

At December 31, 2008, the Company owned 76 line haul tractors and 5 day cabs. The line haul units are conventional tractors with sleeping accommodation. The day cabs are used for local delivery work in the Jacksonville area. The Company also owned 210 dry van trailers as well as, 3,814 53' containers and 3,164 53' chassis.

At December 31, 2008, the Company owned 299 53' Vehicle Transport Modules® or VTM's™ ("VTM's") designed and built by the Company. These units are used to transport automobiles and can hold up to three vehicles to provide an efficient unit for loading and unloading. The Company holds four separate patents for the VTMs. Two patents cover the VTM unit and two patents cover the method of loading and unloading vehicles into the VTM.

The Company performs preventative maintenance on equipment at its Jacksonville operations center, with the majority of major maintenance and repairs handled by outside contractors.

DRIVER RECRUITING AND RETENTION

The Company offers competitive compensation and health care benefits comparable to those offered by truckload operators. Management also promotes driver retention by assigning drivers a tractor for the life of the unit. Drivers are assigned a single dispatcher, regardless of geographic area, providing more

predictable home time. The Company's driver turnover in 2008 was 27.6% compared to 32.3% in 2007. The Company believes this is significantly below the typical average in the industry.

FUEL AVAILABILITY AND COST

The Company actively manages its fuel costs by requiring drivers to fuel at offsite fuel facilities where the Company has established favorable pricing arrangements. Whenever possible in route, drivers are required to fuel at these truck stops and service centers with which the Company has established these volume purchasing discounts. The Company also offers fuel-conservation bonuses to its drivers based on achieving miles per gallon goals. During 2008, the Company continued to purchase APU's (auxiliary power units) for use in some of its tractors. The APU's reduce the amount of fuel used when the engine is idle while the drivers rest.

Although the Company pays indirectly for the marine fuel used by the large tugs it charters, tug crew personnel employed by the tug owner control the actual fuel loading. The tug owner is responsible for providing the tug fuel, the cost of which is re-billed at cost and paid by the Company. The price of the tug fuel is based on a published weekly index plus a per gallon handling charge. The tug fuel is purchased and loaded at the nearby supplier's dock facility in Jacksonville during cargo loading operations.

Trailer Bridge does not engage in any fuel hedging activities as the present fuel surcharge mechanism has the effect of adjusting revenue levels over time for changes in fuel prices.

In 2001, due to the increased cost of fuel, the Company instituted fuel surcharges to its customers pursuant to its tariff and these fuel surcharges per container load or per unit shipped have remained in place throughout 2008. The fuel surcharges for domestic truck movements are charged on a per mile basis and are stipulated in the Company's tariff at predetermined levels based upon the price of fuel. During 2008, the fuel surcharge for domestic truck movements was between \$0.15 per mile to \$0.60 per mile. Total fuel surcharge revenue for 2008 was \$26.1 million compared to \$17.3 million in 2007. The fuel surcharges on movements to and from Puerto Rico are assessed on a per move basis and have partially mitigated the increases in fuel prices. The additional fuel surcharge is distinguished from freight revenues and both are reported in the Company's operating revenues.

SAFETY, ENVIRONMENT AND INSURANCE

Trailer Bridge emphasizes safety in all aspects of its operations. The Company maintains its own strict standards for recruiting drivers, including a minimum of two years of verifiable commercial driving experience, a safe driving history and a successful physical examination, including drug and alcohol testing. The Company's ongoing driver safety program includes an initial orientation for all new drivers, 100% log monitoring and strong adherence to all speed and weight regulations.

The Company adheres to all applicable environmental regulations. Trailer Bridge believes that its vessel emissions are well below certain competitors due to the cleaner distillate fuel that the Company routinely uses in the tugs it charters. The Company believes these pronounced differences will become a positive differentiating factor in the future.

The Company bids annually for both marine and land insurance policies. Major coverages include hull and protection indemnity, pollution, excess liability, marine cargo, truckers' liability, workers' compensation, directors' and officers' and commercial property.

TECHNOLOGY

The core information systems of Trailer Bridge run within the IBM AS-400 iSeries architecture, which integrates all servers under a common platform and enhances the security of all corporate data by combining all data stores into a unified environment. This approach to data storage and retrieval into a SANS (Secure Area Network Storage) environment tightens controls on access and provides better management tools in the integrated environment. It also moves control of traditionally vulnerable operating software into the control of the IBM OS/400 operating system.

The information systems link the Company's headquarters, truck operations center, San Juan office and marine terminals in Jacksonville and San Juan. The system enhances the Company's operating efficiency by providing cost effective access to detailed information concerning available equipment, loads, shipment status and specific customer requirements, and permits the Company to respond promptly and accurately to customer requests.

The Company's electronic data interchange ("EDI") capability allows customers to tender loads, receive load confirmation, check load status and receive billing information via computer. The Company's EDI system also helps in accelerating the collection of its receivables. The Company's largest customers require EDI service from their core carriers.

The Company has a web-based load tracking system, which provides its customers with real time load information. This system, along with the EDI, has allowed the Company to better respond to customer demands. Since the deployment of this web based tracking system, usage has increased as customers have found these systems to be useful for tracking their inventory and monitoring of their current payables. These systems have also enabled Trailer Bridge to handle increasing demand with greater efficiency, by knowing the exact location and load of every operator as well as open or excess capacity, and identify the Company's performing customers.

COMPETITION

The Company currently competes with three carriers for freight moving between the U.S. and Puerto Rico where its container volume market share, excluding vehicles, during 2008 was approximately 15.6%, according to data obtained from PIERS (Port Import Export Reporting Service), a subsidiary of the Journal of Commerce. The Company's market share grew 1.5 percentage points in 2008 compared to its 14.1% market share in 2007. That continues a recent pattern of consistent share market growth as the Company had a 13.2% market share in 2006 and a 12.7% market share in 2005. The three other current carriers in the Puerto Rico trade are Horizon Lines, Crowley Liner Services, and Sea Star Line. Based on available PIERS data for 2008, Horizon Lines has approximately 33.5% of the market and operates four steam turbine powered container vessels that carry mainly 40' containers. Crowley Liner Services, a subsidiary of Crowley Maritime Corporation, has approximately 30.2% of the market and operates ro/ro barges in various services between the U.S. and Puerto Rico. Sea Star Line, owned primarily by SaltChuk Resources, Inc., parent of Totem Ocean Trailer Express, Inc., has approximately 20.6% of the market with two steam turbine powered combination ro/ro container vessels. If vehicle cargos were included in the market share analysis, Trailer Bridge, Crowley, and Sea Star market shares would be in excess of the preceding figures, with Trailer Bridge having the largest relative increase followed by Crowley.

Puerto Rico shippers select carriers based primarily upon price and to a lesser extent, criteria such as frequency of shipments, transit time, consistency, billing accuracy and claims experience. The Company believes that the elements comprising its business model result in it being a lower-cost operator. This underlying cost advantage, combined with consistently focusing a shipper's attention on the effective cost per cubic foot of freight rates and surcharges, assists the Company in providing and highlighting

proposals that contain better pricing. Based upon how much of the additional 61% inside cube a shipper can utilize, it is not unusual for them to switch to Trailer Bridge even when that results in actually paying more per container load than they were before.

In the Dominican Republic trade, Trailer Bridge competes with over a dozen carriers. Trailer Bridge serves the northern port of Puerto Plata and therefore does not compete directly with most of the carriers that serve the much larger southern ports near Santo Domingo. Trailer Bridge's service every 14 days to Puerto Plata represented a very small capacity increase in the trade between the U.S. and the Dominican Republic.

The trucking industry is highly competitive and fragmented with no one carrier or group of carriers dominating the market. The Company's non-Puerto Rico domestic truckload operations, which are used primarily to balance its core Puerto Rico service, compete with a number of trucking companies as well as private truck fleets used by shippers to transport their own products. Truckload carriers compete primarily on the basis of price. The Company's truck freight service also competes to a limited extent with rail and rail-truck intermodal service, but the Company attempts to limit this competition by seeking more time and service-sensitive freight.

The Company has several distinct advantages over its competitors in the Puerto Rico trade. The Company has a unique and superior operating system, which utilizes 53' high cube containers, TBC's, and reach stackers to load/unload freight. In November 2008, Trailer Bridge was granted a patent for the process of loading and unloading containers on its TBC vessels by the United States Patent and Trademark Office (USPTO). Trailer Bridge also holds several patents related to its Vehicle Transport Modules® ("VTM®"), special purpose modules for receiving motorized vehicles for transportation that interchange easily between transport modes without the necessity of re-handling the vehicles.

The Company's ocean going tugs all use a cleaner distillate fuel as opposed to the residual fuel used by the self-propelled vessels in the Puerto Rico trade. The Company believes its vessel emissions characteristics result in it having the cleanest environmental footprint in the Puerto Rico trade and believes that this will become an increasingly important factor in customer's decision making process. The Company was the first marine company to join the Environment Protection Agency SmartWay Transport Partnership, a voluntary business/government collaboration focused on increasing efficiency and reducing emissions. Because all of the tugs that tow the Company's vessels use a cleaner distillate fuel all the time, its entire fleet already meets all the fuel quality standards recently recommended by the United Nations International Maritime Organization (IMO). The U.S. Senate passed a bill approving the IMO framework and on July 21, 2008, President Bush signed that bill into law. In October 2008, the Company was recognized by the Environmental Protection Agency with a Smartway Excellence Award.

REGULATION

As a common and contract motor carrier, the Company is regulated by the Surface Transportation Board and various state agencies. The Company's drivers, including owner-operators, also must comply with the safety and fitness regulations promulgated by the Department of Transportation, including those relating to drug testing and hours of service.

The Company's operations are subject to various federal, state and local environmental laws and regulations, implemented principally by the Environmental Protection Agency and similar state regulatory agencies. These regulations govern the management of hazardous wastes, discharge of pollutants into the air, surface and underground waters, and the disposal of certain substances. Management is not aware of any water or land fuel spills or hazardous substance contamination on its properties and believes that its operations are in material compliance with current environmental laws and regulations.

The Company's marine operations are conducted in the U.S. domestic trade and the U.S. foreign trade. A set of federal laws known as the Jones Act requires that only U.S. built, operated and crewed vessels move freight between ports in the U.S., including the noncontiguous areas of Puerto Rico, Alaska and Hawaii. These marine operations are subject to regulation by various federal agencies, including the Surface Transportation Board, the Federal Maritime Commission, the U.S. Maritime Administration and the U.S. Coast Guard. These regulatory authorities have broad powers governing activities such as operational safety, tariff filings of freight rates, certain mergers, contraband, environmental contamination and financial reporting. Management believes that its operations are in material compliance with current marine laws and regulations. The Company has approved the Facility Security Plans in place for our waterfront facilities and Vessel Security plans in compliance with Homeland Security and the Maritime Transportations Security Act. The Company is an approved participant in the Customs Trade Partnership against Terrorism (CTPAT). CTPAT participation is a requirement for carriers operating in foreign trade. The Company demonstrated that it has adequate security procedures in place to protect its assets and the products of its customers while under the Company's control.

EMPLOYEES

At December 31, 2008, Trailer Bridge had 223 employees consisting of 77 truck drivers and 146 executive and administrative personnel.

AVAILABLE INFORMATION

The Company makes its public filings with the Securities and Exchange Commission, including the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all exhibits and amendments to these reports, available at the Company's web site <http://www.trailerbridge.com> as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the Securities and Exchange Commission. Any material that the Company files with the Securities and Exchange Commission may be read and copied at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or at www.sec.gov. Information on the operating of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330.

Item 1A. Risk Factors

Risks Relating to the Company's Business

There is a criminal investigation into pricing practices in the trade in which the Company operates and related class action suits.

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

Following publicity about the DOJ investigation, beginning on April 22, 2008, shippers in the Puerto Rico trade lane have filed at least 34 purported class actions against domestic ocean carriers, including Horizon Lines, Sea Star Lines, and Crowley. The Company has been named as a co-defendant in these lawsuits. The actions allege that the defendants inflated prices in violation of federal antitrust laws and seek treble damages, attorneys' fees and injunctive relief. The actions, which were filed in the United States District Court for the Southern District of Florida, the United States District Court for the Middle District of Florida, and the United States District Court for the District of Puerto Rico, have been

consolidated for pre-trial purposes into a single multi-district litigation proceeding (MDL 1962) in the District Court of Puerto Rico. On March 10, 2009, the Company filed an amended motion to dismiss the claim with the court.

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

The DOJ investigation is a criminal investigation, and the parallel class actions by civil litigants seek remedies that include treble damages. The Company is cooperating fully with the DOJ and intends to defend itself vigorously against the class actions. Significant legal fees and costs are expected to be incurred in connection with the DOJ investigation and the class actions. During 2008, these costs were approximately \$1.5 million.

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

Volatility in fuel prices could adversely affect our profitability.

While the Company has a series of fuel surcharges in place that seek to adjust revenues with changes in fuel prices, such mechanisms do not act with precision in terms of timing and amount. When fuel prices increase dramatically, rapidly or consistently the surcharge mechanism may not immediately adjust revenues enough to offset the increase in cost to the Company. Additionally, in periods of consistent fuel price increases, the fuel surcharge mechanism may not fully capture the increase in costs. The fuel surcharge is also an area of competition among carriers in the trade and market forces may prohibit the Company from generating enough revenue from the fuel surcharges to offset any increase in costs, which may have a negative affect on our profitability.

If we are unable to implement our business strategy, our business and financial condition could be adversely affected.

Our future results of operations will depend in significant part on the extent to which we can implement our business strategy successfully. Our business strategy includes using our superior hard assets and operating systems to continue providing cost advantages, pursuing other operating strategies to further enhance efficiencies and reduce costs, expanding our share of the Puerto Rico market and replicating our business model in other markets. Our strategy is subject to business, economic and competitive uncertainties and contingencies, many of which are beyond our control. As a consequence, we may not be able to fully implement our strategy or realize the anticipated results of our strategy.

We have no control over economic factors that could adversely affect our business.

We have no control over economic factors such as fuel prices, fuel tax, interest rate fluctuations, recessions or customers' business cycles. Significant increases in fuel or other operating costs and interest rates, to the extent not offset by increases in freight rates or fuel surcharges, would adversely affect our operating results. Economic recessions, temporary inventory imbalances or downturns in customers' business cycles also could have a material adverse effect upon our operating results. If the resale value of our revenue equipment were to decline, we could receive less upon the disposition of our equipment or find it necessary to retain our equipment longer, with a resulting increase in our operating expenses. The marine and trucking industries are cyclical with corresponding changes in revenue and profits. Changes in economic and trade growth as well as changes in the supply and demand of vessel and trucking

capacity can impact both rates and resale values. The amount and timing of new vessel deliveries to competing carriers in the Puerto Rico market and rate reductions from increased capacity, excess capacity or slow market growth could result in rate instability that could have a material adverse effect upon us.

The Company has experienced losses in the past.

Due primarily to the overcapacity and intense competition in the Puerto Rico market during the late 1990's and early 2000's, the Company experienced significant financial losses and associated negative cash flow during that time. Despite operating income for the Company in 2005, 2006, 2007, and 2008, the Company cannot assure that it will continue to generate operating income and positive cash flow. For example, the Company cannot assure that a new marine freight carrier will not commence operations in the Puerto Rico market. Most of its competitors have substantially greater financial resources, operate more equipment, or carry a larger volume of freight than the Company does.

The Company's operations are dependent on a limited fleet and special loading structures.

The Company's current operations depend on four vessels and triple deck loading ramps at its port facilities in Jacksonville and San Juan, the loss of which could have a material adverse effect on the Company. The operation of any marine vessel involves the risk of catastrophic events due to various perils of sea. In addition, port facilities in Jacksonville, San Juan and Puerto Plata are vulnerable to the risk of hurricanes. In the event of either a total loss of or major damage to its vessels or ramps, the Company cannot assure that the Company could locate suitable replacements, or if available, that such replacements could be obtained on suitable terms. The Company also could be adversely affected if unexpected maintenance or repairs are required for either of the custom configured ramp systems the Company uses. Although its vessels are insured for loss, the Company does not maintain business interruption insurance and the Company's vessel insurance might not be high enough to build replacement vessels. Accordingly, the Company cannot assure that the loss of, damage to or significant required repair to any of its vessels or port facilities in the future would not have a material adverse effect on its cash flow.

A substantial part of the Company's revenue is produced in a single market, which makes it susceptible to changes that could adversely affect its results.

The vast majority of its revenue is attributable to freight moving either to or from Puerto Rico. Its reliance on the Puerto Rico market makes it susceptible to a downturn in the local economy, local economic and competitive factors changes in government regulations and political changes that the Company cannot predict. The Company's operation is highly leveraged and a downturn in freight volume in the Puerto Rico trade lane would have a material adverse effect on its cash flow.

Repeal or substantial amendment of the Jones Act could adversely affect its business.

The Jones Act provides that all vessels operating between ports in the United States, including the noncontiguous areas of Puerto Rico, Alaska and Hawaii, must be built, owned, operated and crewed substantially by U.S. citizens. The Jones Act continues to be in effect, however, the Company cannot assure that the Jones Act will not be repealed or amended in the future. If the Jones Act were to be repealed or substantially amended and, as a consequence, competition were to increase in the Puerto Rico market, the Company's business and cash flow could be adversely affected.

Changes in tax laws or the interpretation thereof, adverse tax audits and other tax matters related to the Company's tonnage tax election or such tax may adversely affect future results.

The Company elected to be taxed according to the tonnage tax instead of the federal corporate income tax on income from its qualifying shipping activities on its 2007 federal tax return. Changes in tax laws or the interpretation thereof, adverse tax audits, and other tax matters related to such tax election or such tax may adversely affect the Company's future results.

During the fourth quarter of 2007, a draft of a Technical Corrections Act proposed redefining the Puerto Rico trade to not qualify for application of the tonnage tax. The tax writing committee in Congress removed the tonnage tax repeal language from the Technical Corrections Act before its passage, but the Company cannot assure that there will not be future efforts to repeal all, or any portion of, the tonnage tax as it applies to the Company's shipping activities.

Profitability of service to Dominican Republic is uncertain.

In August 2007, the Company instituted a new sailing on a bi-weekly basis between and among Jacksonville, Florida, San Juan, Puerto Rico and Puerto Plata, Dominican Republic. The implementation of the new sailing required additional investment in new container equipment. The Company modified its schedule in 2008 to service this market as part of its service to Puerto Rico without requiring an extra sailing. Even with this modification there is no assurance that this service to the Dominican Republic will remain profitable.

Intense competition in our industry could adversely affect our business and financial condition.

The trucking industry is highly competitive and fragmented and the Puerto Rico freight market is also highly competitive. We currently compete with other truckload carriers that provide domestic dry van service, private fleets operated by existing and potential customers, and marine carriers that provide ocean service between the continental U.S. and Puerto Rico. Competition for the freight we transport is based primarily on freight rates, and, to a lesser degree, on service and efficiency. Most of our current and future competitors have substantially greater financial resources, operate more equipment, or carry a larger volume of freight than we do.

We are susceptible to severe weather and natural disasters.

Our operations are vulnerable to disruption as a result of weather and natural disasters such as bad weather at sea and hurricanes. Such events will interfere with our ability to provide the on-time scheduled service our customers demand resulting in increased expenses and potential loss of business associated with such events. In addition, severe weather and natural disasters can result in interference with our terminal operations, and may cause significant damage to our vessels and ramps, loss or damage to containers, cargo and other equipment and loss of life or physical injury to our employees. Terminals on the east coast of the continental U.S. and in the Caribbean are particularly susceptible to hurricanes. Any damage caused by natural disasters may not be fully covered by insurance.

Restrictions on foreign ownership of our vessels could prevent us from conducting operations in the United States domestic trade.

In order to maintain the eligibility of the Company to own and operate vessels in compliance with the Jones Act, 75% of the outstanding capital stock and voting power of the Company is required to be held by U.S. citizens. The Company's Certificate of Incorporation contains provisions limiting non-citizenship ownership of its capital stock and requiring non-citizens to divest the shares of capital stock that they own in excess of these limits. However, the Company could lose its ability to conduct operations in the U.S.

domestic trade if such provisions prove unsuccessful in maintaining the required level of citizen ownership, which would require us to shut down all but a very small portion of our current business.

Loss of our key management personnel could adversely affect our business.

In December 2008, the Company's CEO and Vice Chairman left the management of the Company. Our future success will depend, in significant part, upon the services of our President and interim CEO, our Executive Vice President and General Counsel, our Chief Financial Officer and our other officers. The loss of the services of any of these executive officers could adversely affect our future operating results because of such officer's experience and knowledge of our business and customer relationships. We do not maintain key person insurance on any of our executive officers.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

OFFICE FACILITIES

Trailer Bridge is headquartered in Jacksonville, Florida, where it owns a 20,500 square foot office building adjacent to its truck operations center. This facility allows 97 Jacksonville personnel to be centralized in one location. The office building has also been designed so that additions can be constructed to serve the Company's future needs. The truck operations center property consists of 27 acres near Interstate 95, approximately 2 miles from the Company's marine terminal on Blount Island. In addition to the office building, the property includes an 11,400 square foot tractor maintenance shop where preventative maintenance and repairs are performed, as well as, a trailer washing facility, drivers' lounge and parking space for tractors and trailers.

The Company maintains small sales office facilities in Miami, Florida, North Carolina, Illinois, Ohio, New Jersey, Georgia and Santiago, Dominican Republic that are utilized by sales personnel. The Company also rents a 2,600 square foot office in San Juan where 22 Puerto Rico administrative and sales personnel are based and executive offices in New York.

PORT FACILITIES

The Company utilizes port facilities in Jacksonville and San Juan where its vessels are loaded and freight is stored awaiting further movement by either vessel or truck.

Trailer Bridge's terminal in Jacksonville is located on Blount Island and consists of a berthing area and approximately 30 acres leased from the Jacksonville Port Authority. The lease, which expires in 2013, allows the Company to use the berthing area on a preferential, although non-exclusive, basis and the land area on an exclusive basis. Included in the lease is a triple deck loading ramp funded by the Jacksonville Port Authority that the Company uses to load and unload its triple-deck ro/ro barges. The Company pays the Jacksonville Port Authority a monthly rental payment plus a wharfage payment based upon total cargo volume with a minimum guarantee of approximately \$1.9 million per year.

The Company's marine terminal in San Juan consists of two berthing areas and 46 acres that the Company utilizes on a preferential basis under a stevedoring services agreement with the contractor who provides cargo-handling services. In addition to the area designated for parking containers and vehicles' the Company has on site offices for its management personnel, two designated gate areas for receiving and delivery of loaded containers and vehicles, a roadability area for checking equipment, a three story

loading ramp for working the triple deck ro/ro barges and a maintenance area for servicing our equipment. This agreement calls for the Company to make fixed payments as well as payments based upon total cargo volume and the prevailing wharfage rates of the Puerto Rico Ports Authority. This agreement was renewed October 16, 2006 with an expiration date of November 30, 2010 with renewals at the Company's option until October 23, 2026. The Company believes its present port facilities combined with the additional San Juan land lease that it expects to conclude in 2009 are sufficient for its current and future operations. See - Part 1 – Item 1. "Business RAMP STRUCTURES".

Trailer Bridge operates in the port of Puerto Plata in the Dominican Republic within the public container terminal operated by the Puerto Plata Port Authority. The Port Authority has set aside an exclusive secured area for parking Trailer Bridge loads and equipment and provides full time security personnel in this area. The vessel and terminal operations are managed by Ageport, an operating agent, under the direction of a Trailer Bridge manager.

The Company believes that all of its facilities and equipment are in good condition, well maintained and able to support its current operations. For additional information concerning the Company's properties, see the information concerning its fleet of vessels and certain other properties as set forth in Part 1 – Item 1. "Business".

A substantial portion of the Company's property and vessels are pledged as collateral for the Company's long-term debt.

Item 3. Legal Proceedings

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

Following publicity about the DOJ investigation, beginning on April 22, 2008, shippers in the Puerto Rico trade lane have filed at least 34 purported class actions against domestic ocean carriers, including Horizon Lines, Sea Star Lines, and Crowley. The Company has been named as a co-defendant in these lawsuits. The actions allege that the defendants inflated prices in violation of federal antitrust laws and seek treble damages, attorneys' fees and injunctive relief. The actions, which were filed in the United States District Court for the Southern District of Florida, the United States District Court for the Middle District of Florida, and the United States District Court for the District of Puerto Rico, have been consolidated for pre-trial purposes into a single multi-district litigation proceeding (MDL 1962) in the District Court of Puerto Rico. On March 10, 2009, the Company filed an amended motion to dismiss the claim with the court.

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

The DOJ investigation is a criminal investigation, and the parallel class actions by civil litigants seek remedies that include treble damages. The Company is cooperating fully with the DOJ and intends to defend itself vigorously against the class actions. Significant legal fees and costs are expected to be

incurred in connection with the DOJ investigation and the class actions. During 2008, these costs were approximately \$1.5 million.

The Company is not able to predict the ultimate outcome or cost of the DOJ investigation and class actions. 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 from time to time is a party to litigation arising in the ordinary course of its business, substantially all of which involves claims related to personnel matters or for personal injury and property damage incurred in the transportation of freight or disputed contract claims with its customers. The Company presently is a party to litigation arising from vehicle accidents, cargo damage and failure of a customer to meet its contractual volume commitment. Management is not aware of any claims or threatened claims that reasonably would be expected to exceed insurance limits or have a material adverse effect upon the Company's operations or financial position.

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

No matters were submitted to a vote of the Company's security holders during the Fourth Quarter of 2008.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock trades on the NASDAQ Global Market.

The following table represents the high and low bid quotations for the past two years as reported on the NASDAQ Global Market:

<u>2008</u>	<u>High</u>	<u>Low</u>
First Quarter	\$ 12.48	\$ 8.00
Second Quarter	\$ 9.44	\$ 5.05
Third Quarter	\$ 7.00	\$ 4.98
Fourth Quarter	\$ 6.09	\$ 3.61

<u>2007</u>	<u>High</u>	<u>Low</u>
First Quarter	\$ 9.05	\$ 8.00
Second Quarter	\$ 13.35	\$ 8.50
Third Quarter	\$ 13.20	\$ 10.43
Fourth Quarter	\$ 14.75	\$ 10.25

The Company has paid no dividends since its inception and does not anticipate doing so in the foreseeable future. Certain of the Company's loan documents prevent the payment of cash dividends under certain circumstances. The Company makes no predictions as to the future performance of its stock.

As of March 20, 2009 there were 94 stockholders of record in addition to approximately 1,000 stockholders whose shares were held in nominee name.

The following table sets forth information about the Company's equity compensation plans.

Plan Category	Equity Compensation Plan Information		
	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by securities holders	1,093,250	\$ 4.99	176,776
Equity compensation plans not approved by securities holders	-	-	-
Total	1,093,250	\$ 4.99	176,776

The following table reflects stock repurchases made by the Company during the fourth quarter of 2008:

Period	Issuer Repurchases of Securities			
	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate \$ Value) of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2008 – October 31, 2008	-	-	-	-
November 1, 2008 – November 30, 2008	-	-	-	-
December 1, 2008 – December 31, 2008	100,000	\$4.00	-	-

*The Company purchased 100,000 shares from John D. McCown in connection with his resignation as Chief Executive Officer of the Company.

Item 6. Selected Financial Data

Not required for smaller reporting companies.

Item 7. Management's Discussion And Analysis Of Financial Condition And 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. Service to the Dominican Republic commenced in August 2007. The Company also earns revenue from the movement of freight within the continental United States when such movement complements its core business of moving freight to and from Puerto Rico and the Dominican Republic. The Company's operating expenses consist of the cost of the equipment, labor, facilities, fuel, inland transportation and administrative support necessary to move freight to and from Puerto Rico, the Dominican Republic and within the continental United States. During 2008, the Company experienced a decline in operating income and the resulting operating ratio compared to 2007, primarily due to increased fuel expense. Fuel expense increased due to higher fuel prices as well as increased consumption in connection with the Dominican Republic service.

RESULTS OF OPERATIONS

The following table sets forth the indicated items as a percentage of net revenues for the years ended December 31, 2008, 2007 and 2006.

Operating Statement - Margin Analysis (% of Operating Revenues)			
	2008	2007	2006
Operating Revenues	100.0%	100.0%	100.0%
Salaries, wages, and benefits	13.8	14.4	13.7
Purchased transportation and other rents	25.2	24.4	23.6
Fuel	21.4	16.2	13.3
Operating and maintenance (exclusive of depreciation shown separately below)	19.7	19.8	20.5
Dry-Docking	0.7	0.0	11.6
Taxes and licenses	0.4	0.4	0.4
Insurance and claims	2.4	2.8	3.3
Communications and utilities	0.6	0.6	0.5
Depreciation and amortization	4.6	4.9	4.8
Loss (gain) on sale of assets	0.2	0.0	(0.1)
Other operating expenses	5.8	4.3	4.0
Total Operating Expenses	<u>94.8</u>	<u>87.8</u>	<u>95.6</u>
Operating income	5.2	12.2	4.4
Net interest expense	(7.6)	(8.3)	(8.9)
(Provision) benefit for Income taxes	(0.0)	(4.1)	4.5
Net (loss) income	<u>(2.4)%</u>	<u>(0.2)%</u>	<u>0.0%</u>

Year ended December 31, 2008 Compared to Year ended December 31, 2007

The Company's operating ratio, or operating expenses expressed as a percentage of revenue, deteriorated from 87.8% in 2007 to 94.8% in 2008. This change is more fully explained under the operating expenses caption set forth below.

Revenues

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

Volume & Revenue Changes 2008 Compared to 2007

	<u>Overall</u>
Volume Percent Change:	
Total Equivalent Units	8.1%
Revenue Change (in millions):	
Core Service Revenue	\$ 7.0
Other Revenues	<u>9.9</u>
Total Revenue Change	<u>\$ 16.9</u>

The increase in revenues is primarily due to increases in volume partially offset by lower average yields. The increase in other revenue is primarily due to increases in fuel surcharges as well as increased charterhire resulting from an improved vessel charter market.

Vessel capacity utilization southbound was 86.3% during 2008, compared to 80.0% during 2007.

The increase in other revenues is primarily attributable to an increase in fuel surcharge revenue during 2008, which increased to \$26.1 million from \$17.3 million in 2007. 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 \$1.1 million in 2008 compared to \$1.7 million in 2007. Total charterhire revenue amounted to \$4.0 million in 2008 and \$1.7 million in 2007. Charterhire is rental revenue for vessels not in use in a liner service. Security charges are charges to cover the Company's additional expenses required to ensure the safety of the shipper's cargo. These charges amounted to \$2.1 million in 2008 and 2007.

Operating expenses

Operating expenses increased by \$24.1 million, or 23.7% from \$101.9 million for 2007 to \$126.1 million for 2008. This increase was due primarily to fuel expenses in 2008, which increased \$9.7 million, or 51.2%, due to increased consumption related to the Dominican Republic service that started in August of 2007 and increases in fuel prices. Most other operating expenses of the Company increased as well during 2008 as a result of additional volume and an additional bi-weekly sailing to the Dominican Republic during the first half of 2008. That extra TBC was removed from liner service in the second half of 2008 due to increased fuel prices. Salaries and benefits increased by \$1.6 million or 9.8% primarily due to salary increases and a one-time compensation charge of \$0.8 million related to the departure of the Company's Chief Executive Officer John D. McCown. This increase in salaries and benefits was partially offset by a decrease in incentive based compensation. Rent and purchased transportation increased by \$5.3 million or 18.7% due partially to tug charter related to the additional TBC in service during the first half of 2008 to service the Dominican Republic and increased inland purchased

transportation related to increases in volume. Operating and maintenance expense increased \$4.1 million or 18.0% primarily due to increased terminal costs related to the overall increase in volume and an increase in expenses related to the Company's stevedores. Depreciation and amortization expense increased by \$0.5 million or 9.2% due to the Company's purchase of containers and chassis in 2007 that were depreciated for a full year in 2008. Other operating expenses increased \$2.5 million due to an increase in legal fees and an increase in security expenses during 2008. The increase in legal fees was primarily the result of the DOJ investigation that began on April 22, 2008. During 2008, legal expenses related to this investigation were \$1.5 million. As a result, the Company's operating ratio of expenses compared to revenue was higher during 2008, at 94.8% as compared to 87.8% during 2007.

Interest Expense

Interest expense increased slightly to \$10.4 million in 2008 from \$10.3 million in 2007 primarily due to additional draws on the Wachovia term loan that was established in the fourth quarter of 2007 to fund the purchase of containers and chassis to support the Dominican Republic service. In May 2008 and November 2008, the Company drew approximately \$1.3 million and \$4.1 million on this note, respectively. The Company began making principle payments on the November draw of \$4.1 million in January of 2009.

As a result of the factors described above, the Company reported a net loss of \$3.2 million or \$0.27 per share, basic and diluted, for the year ended December 31, 2008 compared to a net loss of \$0.3 million or \$0.02 per share, basic and diluted, for the year ended December 31, 2007.

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 federal corporate income tax on the taxable income from such vessels and related inland service. The Company has determined that its marine operations and inland transportation related to marine operations qualify for the tonnage tax. In the second quarter of 2007, the Company completed its analysis of the impact of making the election to be taxed under the tonnage tax regime. The analysis illustrated that using the tonnage tax method would reduce the Company's cash outlay related to federal income taxes. For federal tax purposes, the Company can satisfy only 90% of its AMT (Alternative Minimum Taxable) income with its net operating loss carryforwards (NOL) and, therefore, results in a much larger cash outlay in comparison to the required payments associated with the tonnage tax regime. As a result of this analysis, the Company determined that it would be making the election to be taxed under the tonnage tax regime on its 2007 federal tax return. As a result, it was more likely than not that the Company would not be able to utilize its deferred tax asset. Therefore during the second quarter of 2007, the deferred tax asset was adjusted by approximately \$4.6 million to reflect this limitation. The remaining deferred tax asset at December 31, 2008 and 2007 of approximately \$279,000 and \$202,000, respectively, represents primarily 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. The 2008 election of the tonnage tax was made in connection with the filing of the Company's 2007 federal corporate income tax return and will also apply to all subsequent federal income tax returns unless the Company revokes this tax treatment. The Company is accounting for this election as a change in status of its qualifying shipping activities. As a result of the change in status, federal deferred tax assets and liabilities, including approximately \$85 million of federal NOL's, which were previously offset by a valuation allowance, have been suspended. It cannot be assured that there will not be future efforts to repeal all, or any portion of, the tonnage tax as it applies to our shipping activities. The federal tax expense related to the tonnage tax method is estimated to be \$28,000 which could not be offset by the Company's existing NOL's under the tonnage tax regime.

Year ended December 31, 2007 Compared to Year ended December 31, 2006

The Company's operating ratio, or operating expenses expressed as a percentage of revenue, improved from 95.6% in 2006 to 87.8% in 2007. This improvement is more fully explained under the operating expenses caption set forth below.

Revenues

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

Volume & Revenue Changes 2007 Compared to 2006

	<u>Overall</u>
Volume Percent Change:	
Total Equivalent Units	6.1%
Revenue Change (in millions):	
Core Service Revenue	6.7
Other Revenues	<u>(0.8)</u>
Total Revenue Change	<u>\$ 5.9</u>

The increase in revenues is primarily due to increases in volume and average yields. The decrease in other revenue is primarily due to decreased charterhire.

Vessel capacity utilization southbound was 80.0% during 2007, compared to 87.1% during 2006. Southbound trailer and container volume increased slightly but vessel capacity utilization decreased due to the addition of one TBC vessel for use in the Dominican Republic service, which commenced in August 2007.

The decrease in other revenues is primarily attributable to a decrease in slot charter during 2007 to \$0.4 million from \$1.4 million in 2006. Slot charter is revenue related to the sale, to customers, of space on competitors vessels in the trade lanes served by the Company. The slot charter arrangement the Company had with a competitor ended in 2007. The Company's fuel surcharge is included in the Company's revenues and amounted to \$17.3 million in 2007 and \$16.9 million in 2006. 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 \$1.7 million in 2007 compared to \$1.6 million in 2006. Total charterhire revenue amounted to \$1.7 million in 2007 and \$1.8 million in 2006. Charterhire is rental revenue for vessels not in use in a liner service. Security charges are charges to cover the Company's additional expenses required to ensure the safety of the shipper's cargo. These charges amounted to \$2.1 million in 2007 compared to \$1.9 million in 2006. Revenue related to the Dominican Republic service, which commenced in August 2007, was approximately \$0.5 million.

Operating expenses

Operating expenses decreased by \$3.5 million, or 3.3% from \$105.4 million in 2006 to \$101.9 million for 2007. This decrease was due primarily to the expense associated with the required regulatory dry-docking of the Company's two ro/ro barges during 2006 totaling \$12.8 million. The ro/ro vessels are not scheduled for another dry-docking until 2011. Most other operating expenses of the Company increased during 2007 as a result of additional volume and the implementation of an additional bi-weekly sailing. Salaries and benefits increased by \$1.6 million or 10.4% primarily due to salary increases partially offset

by a decrease in incentive based compensation. Rent and purchased transportation increased by \$2.3 million or 8.8% due to tug charter related to the new Dominican Republic service and increased inland purchased transportation related to increases in volume. Fuel expense increased \$4.1 million or 28.2% due to increased consumption related to the Dominican Republic service and increases in fuel prices. Operating and maintenance expense decreased \$12.3 million or 34.9% primarily due to required regulatory dry-docking of the Company's two ro/ro barges during 2006. Depreciation and amortization expense increased by \$0.4 million or 6.9% due to the Company's purchase of containers and chassis. Other operating expenses increased \$0.6 million due to an increase in the period expenses related to the Company's allowance for doubtful accounts, an increase in advertising costs, legal fees and an increase in security expenses during 2007. As a result, the Company's operating ratio improved from 95.6% during 2006 to 87.8% during 2007.

Interest Expense

Interest expense increased to \$10.3 million in 2007 from \$10.2 million in 2006 primarily due to the draw on the Wachovia note payable in the fourth quarter of 2007. This note payable was established to fund the purchase of containers and chassis to support the Dominican Republic service. In November 2007, the Company drew approximately \$4.6 million on this note.

As a result of the factors described above, the Company reported a net loss of \$0.3 million or \$0.02 per share, basic and diluted, for the year ended December 31, 2007 compared to a net loss of \$18,093 or \$0.00 per share, basic and diluted, for the year ended December 31, 2006.

Income Taxes

The American Jobs Creation Act of 2004 instituted an elective tonnage tax regime whereby a corporation may elect to pay a tonnage tax based upon the net tonnage of its qualifying U.S. flag vessels rather than the traditional U.S. corporate income tax on the taxable income from such vessels and related inland service. The Company has determined that its marine operations and inland transportation related to marine operations qualify for the tonnage tax. In the second quarter of 2007, the Company completed its analysis of the impact of making the election to be taxed under the tonnage tax regime. The analysis illustrated that using the tonnage tax method would reduce the Company's cash outlay related to federal income taxes; for federal tax purposes, the Company can satisfy only 90% of its AMT (Alternative Minimum Taxable) income with its net operating loss carryforwards (NOL) and, therefore, results in a much larger cash outlay in comparison to the required payments associated with the tonnage tax regime. As a result of this analysis, the Company made the election to be taxed under the tonnage tax regime on its 2007 federal tax return. The federal tax expense related to 2007 under the tonnage tax method was approximately \$28,000 which could not be offset by the Company's existing NOL's because when the Company elected to be taxed under the tonnage tax regime its federal NOL's related to qualifying shipping activities were not available to offset any related tonnage tax. As a result it was more likely than not that the Company would not be able to utilize its deferred tax asset. Therefore during the second quarter of 2007, the deferred tax asset was adjusted by approximately \$4.6 million to reflect this limitation. The remaining deferred tax asset of approximately \$202,000, at December 31, 2007, represented 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.

DIVIDENDS

The Company has not declared or paid dividends on its common stock during the past six years.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$4.4 million in 2008 compared to net cash provided by operating activities of \$12.0 million in 2007. This represented a decrease of \$7.6 million, which resulted partially from additional net losses in 2008 compared to 2007. Net cash used in investing activities was \$2.0 million in 2008 compared to net cash used in investing activities in 2007 of \$19.7 million. This \$17.7 million decrease from 2007 was due to large cash outlays on purchases and upgrades of containers and chassis during 2007. Net cash provided by financing activities was \$2.9 million in 2008 compared to net cash provided by financing activities of \$2.8 million in 2007 representing an increase of \$0.1 million. This change was primarily the result of drawing an additional \$5.4 million on the Wachovia term loan to finance the purchase of new roll-door containers. This increase in borrowings was slightly offset by an increase in principle payments on debt made in 2008. At December 31, 2008, the Company had cash of \$7.2 million, working capital of \$10.0 million, and capital deficit of \$1.8 million.

Net cash provided by operating activities was \$12.0 million in 2007 compared to net cash provided by operating activities of \$1.2 million in 2006. This represented an increase of \$10.8 million from 2006 due primarily to the large cash outlays related to the dry-dockings during 2006. The increase in the accounts payable was related to higher operating expenses as a result of increased volume. Net cash used in investing activities was \$19.7 million in 2007 compared to net cash used in investing activities in 2006 of \$3.6 million. The Company spent \$19.8 million on purchases and upgrades of containers and chassis during 2007. Net cash provided by financing activities was \$2.8 million in 2007 compared to net cash used in financing activities of \$2.0 million in 2006 representing a change of \$4.8 million primarily the result of borrowing approximately \$4.6 million from Wachovia to finance the purchase of a portion of the new containers and chassis. At December 31, 2007, cash amounted to \$1.9 million, working capital was at \$5.3 million, and stockholders' equity was \$1.4 million.

The Company's revolving credit facility with Wachovia, formerly Congress Financial Corporation, as amended, provides for a maximum availability of \$10 million and expires April 2012. The facility provides for interest equal to the prime rate, as set by Wachovia. The revolving line of credit is subject to a borrowing base formula (approximately \$10.0 million was available under this formula at December 31, 2008) based on a percentage of eligible accounts receivable. The revolving credit facility is secured by the Company's accounts receivable. At December 31, 2008, there were no advances drawn on this credit facility.

The Company's 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 December 31, 2008, approximately \$9.1 million was drawn on this loan to fund equipment purchases. This term loan is collateralized by eligible equipment with a carrying value of \$16.3 million at December 31, 2008.

During the fourth quarter of 2008, the Company and Wachovia amended the Revolving Credit Agreement to eliminate all financial covenants at any time the Company has at least \$3.0 million in unused borrowing capacity under the revolving credit facility. As of December 31, 2008, the Company had \$10.9 million available under this facility and therefore was not subject to any financial covenants. Additionally, the Company was in compliance with the financial covenant that would apply if the Company had less than \$3.0 million in unused capacity under the facility.

The Company's \$85 million 9¼ % Senior Secured Notes mature on November 15, 2011. Interest on the notes is payable semi-annually on each May 15 and November 15. Prior to November 15, 2008, the Company had the option to redeem some or all of the notes at a make-whole premium. After November 15, 2008, the Company may redeem the notes, in whole or in part, at its option at any time or from time to time at the redemption prices specified in the indenture governing the notes, plus accrued and unpaid interest thereon, if any, to the redemption date. Upon the occurrence of certain changes in control

specified in the indenture governing the notes, the holders of the notes will have the right, subject to certain conditions, to require the Company to repurchase all or any part of their notes at a repurchase price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest thereon, if any, to the redemption date. The agreement among other things, places restrictions (as defined) on the Company's ability to (a) incur or guarantee additional debt (b) to pay dividends, repurchase common stock or subordinated debt (c) create liens (d) transact with affiliates and (e) transfer or sell assets.

The Company has outstanding 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 aggregate principal amount of the Title XI Bonds outstanding at December 31, 2008 was \$17.3 million. The Company is required to make deposits based on adjusted earnings of the Company. During 2008, the Company made no deposits into a reserve fund that secures the Title XI Bonds. As of December 31, 2008, the balance of this reserve fund was approximately \$4.1 million.

As of December 31, 2008, the Company was restricted from performing certain financial activities due to it not being in compliance with Title XI debt covenants relating to certain leverage ratios. The provisions of the Title XI covenants provide that, in the event of noncompliance with the covenants, the Company is restricted from conducting certain financial activities without obtaining the written permission of the Secretary of Transportation of the United States (the "Secretary"). If such permission is not obtained and the Company enters into any of the following actions it will be considered to be in default of the Title XI covenants and the lender will have the right to call the debt. These actions are as follows: (1) acquire any fixed assets other than those required for the normal maintenance and operation 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 U.S. government, bank deposits or investments in securities of the character permitted for money in the reserve fund; or (6) create any lien on any of its assets, other than pursuant to loans guaranteed by the Secretary of Transportation of the United States under Title XI and liens incurred in ordinary course of business. However, none of the foregoing covenants will apply at any time if the Company meets certain financial tests provided for in the agreement and the Company has satisfied its obligation to make deposits into the reserve fund. As of December 31, 2008, the Company was in compliance with such restrictions.

The Company's projected cash flows from operating activities and the availability under the credit facility is expected to provide sufficient cash flows for future operations.

INFLATION

Inflation has had a minimal effect upon the Company's operating results in recent years. Most of the Company's operating expenses are inflation-sensitive, with inflation generally producing increased costs of operation. All transactions are denominated in United States Dollars. The Company expects that inflation will affect its costs no more than it affects those of other truckload and marine carriers.

SEASONALITY

The Company's liner service is subject to the seasonality of the Puerto Rico freight market where shipments are generally reduced during the first calendar quarter and increased during the third and fourth calendar quarters of each year. The fourth quarter typically has the highest revenue. In 2008, however, fourth quarter revenue was 5.9% below third quarter revenue, in contrast to the 11.7% increase in 2007 and the average increase of 10.5% from 2004 thru 2007.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of December 31, 2008.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the application of certain accounting policies, many of which require the Company to make estimates and assumptions about future events and their impact on amounts reported in the financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the financial statements.

Management believes the application of accounting policies, and the estimates inherently required therein, are reasonable. These accounting policies and estimates are constantly reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, management has found the application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

The Company's most critical accounting policies are described below.

Revenue Recognition. In accordance with Emerging Issues Task Force ("EITF") Issue No. 91-09, "Revenue and Expense Recognition for Freight Services in Progress," voyage revenue is recognized ratably over the duration of a voyage based on the relative transit time in each reporting period commonly referred to as the "percentage of completion" method. Voyage expenses are recognized as incurred. Fuel and other surcharges, demurrage and charterhire revenue are included in our revenues. Net demurrage is a charge assessed for failure to return empty freight equipment on time less a demurrage related allowance for bad debt. Charter hire is rental revenue for vessels not in use in a liner service. The Company recognizes demurrage and charterhire revenue based on negotiated fees included in the contracts of our customers. These amounts are computed daily and included in "Operating Revenue."

Useful Life and Salvage Values. The Company reviews the selections of estimated useful lives and salvage values for purposes of depreciating our property and equipment. Depreciable lives of property and equipment range from 2 to 40 years. Estimates of salvage value at the expected date of trade-in or sales are based on the expected values of equipment at the time of disposal. The accuracy of these estimates affects the amount of depreciation expense recognized in a period and ultimately, the gain or losses on the disposal of the asset.

Repairs and Maintenance. The Company expenses repairs and maintenance as incurred. Every five years the Company's vessels are required to go through regulatory dry-docking. The Company elected, in a prior year, to account for its dry-docking costs using the expense-as-incurred method as opposed to the defer-and-amortize method predominantly used by the Company's industry peer group. The Company elected the expense-as-incurred method for accounting for these required regulatory dry-docking costs as it is the method preferred by the Securities and Exchange Commission. Using the expense-as-incurred method, the Company recorded \$972,113, \$4,544, and \$12,765,606, in the years ended December 31, 2008, 2007 and 2006, respectively. Had the Company used the defer-and-amortize method such expenses would have been amortized over the five year period between regulatory dry-dockings.

Impairment Of Long-Lived Assets. The Company evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events have occurred which would require modification to our carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, the Company reviews certain indicators of potential impairment, such as undiscounted projected operating cash flows, replacement costs of such assets, business plans and overall market conditions. The

Company determines undiscounted projected net operating cash flows and compares it to the carrying value. In the event that impairment occurred, the Company would determine the fair value of the related asset and record a charge to operations calculated by comparing the asset's carrying value to the estimated fair value. The Company estimates fair value primarily through the use of appraisals or other valuation techniques. The Company recognized no impairments in 2006, 2007 or 2008.

Uncollectible Accounts. The Company records a monthly provision based on specific known collectability problems, historical losses, and current economic information. In addition, the Company performs an analysis of the total receivables on a quarterly basis, including review of historical collection trends, and adjusts the provision account each quarter. It is the Company's policy to write off receivables once it is determined that additional efforts of collection will not result in the collection of the receivable.

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 Alternative Minimum Taxable (AMT) income with its net operating loss carryforwards (NOL's) 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 made the election to be taxed under the tonnage tax regime on its 2007 federal tax return. The federal tax expense related to 2008 under the tonnage tax method is estimated to be approximately \$28,000. The remaining deferred tax asset of approximately \$279,000 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.

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

As a result of the implementation of FIN 48, the Company performed a review of its uncertain tax positions in accordance with FIN 48 and concluded that there were no significant adjustments required related to uncertain tax positions. As of the adoption date, the Company had no accrued interest expense or penalties related to unrecognized tax benefits. Interest and penalties, if incurred, would be recognized as a component of income tax expense. As of December 31, 2008, there has been no change to the

assessment as of the adoption date. The Company does not believe there will be any material changes in its unrecognized position over the next 12 months.

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

The above listing is not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by generally accepted accounting principles, with less management judgment in their application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. See the Company's audited financial statements and notes there to which begin on page 31 of this Annual Report on Form 10-K which contain accounting policies and other disclosures required by generally accepted accounting principles.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2008, the FASB issued SFAS No. 162, *"The Hierarchy of Generally Accepted Accounting Principles."* SFAS 162 identifies the sources of accounting principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States for non-governmental entities. SFAS 162 was effective November 2008. The adoption of SFAS 162 did not have a material impact on the Company's financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *"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 Company does not expect that the implementation of this statement will have a material impact on its results of operations, financial position, or liquidity.

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

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*". This statement establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. SFAS 157 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". For the Company, SFAS 157 is effective for the fiscal year beginning after November 15, 2007; however, the FASB has deferred the implementation of the provision of SFAS 157 relating to nonfinancial assets and liabilities until January 1, 2009. The adoption of SFAS 157 had no material impact on the Company's financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Table of Contents

Item 8. Financial Statements and Supplementary Data

Index to financial statements and schedule of Trailer Bridge, Inc.

See Note 15 to the financial statement for summarized quarterly financial data.

	<u>Page</u>
<u>Report of Independent Registered Certified Public Accounting Firm</u>	31
<u>Balance Sheets as of December 31, 2008 and 2007</u>	32
<u>Statements of Operations for the years ended December 31, 2008, 2007 and 2006</u>	33
<u>Statements of Changes in Stockholders' Equity (Capital Deficit) for the years ended December 31, 2008, 2007 and 2006</u>	34
<u>Statements of Cash Flows for the years ended December 31, 2008, 2007 and 2006</u>	35
<u>Notes to Financial Statements</u>	36
<u>Schedule II – Valuation and Qualifying Accounts</u>	52

Report of Independent Registered Certified Public Accounting Firm

Board of Directors and Stockholders
Trailer Bridge, Inc.
Jacksonville, Florida

We have audited the accompanying balance sheets of Trailer Bridge, Inc. as of December 31, 2008 and 2007 and the related statements of operations, changes in stockholders' equity (capital deficit), and cash flows for each of the three years in the period ended December 31, 2008. In connection with our audits of the financial statements, we have also audited the financial statement schedule listed in the accompanying index. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Trailer Bridge, Inc. at December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ BDO Seidman, LLP
Miami, Florida
March 30, 2009

TRAILER BRIDGE, INC.
BALANCE SHEETS
DECEMBER 31,

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,216,283	\$ 1,932,535
Trade receivables, less allowance for doubtful accounts of \$599,017 and \$1,010,341	16,818,259	15,794,534
Prepaid and other current assets	1,883,942	2,719,522
Deferred income taxes, net	278,856	202,001
Total current assets	<u>26,197,340</u>	<u>20,648,592</u>
Property and equipment, net	89,304,822	93,762,574
Reserve fund for long-term debt	4,125,995	4,077,726
Other assets	3,704,490	4,357,554
TOTAL ASSETS	<u><u>\$ 123,332,647</u></u>	<u><u>\$ 122,846,446</u></u>
LIABILITIES AND STOCKHOLDERS' (CAPITAL DEFICIT) EQUITY		
Current Liabilities:		
Accounts payable	5,259,355	\$ 6,918,764
Accrued liabilities	7,694,690	5,961,347
Unearned revenue	385,458	446,774
Current portion of long-term debt	2,874,700	2,008,220
Total current liabilities	<u>16,214,203</u>	<u>15,335,105</u>
Other accrued liabilities	414,910	-
Long-term debt, less current portion	108,545,228	106,098,506
TOTAL LIABILITIES	<u>125,174,341</u>	<u>121,433,611</u>
Commitments and Contingencies		
Stockholders' (Capital Deficit) Equity:		
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; 11,938,921 and 11,931,564 shares issued; 11,838,921 and 11,931,564 shares outstanding	119,389	119,316
Treasury stock, at cost, 100,000 shares	(400,000)	-
Additional paid-in capital	53,460,783	53,076,644
Capital deficit	(55,021,866)	(51,783,125)
TOTAL STOCKHOLDERS' (CAPITAL DEFICIT) EQUITY	<u>(1,841,694)</u>	<u>1,412,835</u>
TOTAL LIABILITIES AND STOCKHOLDERS' (CAPITAL DEFICIT) EQUITY	<u><u>\$ 123,332,647</u></u>	<u><u>\$ 122,846,446</u></u>

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

TRAILER BRIDGE, INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31,

	<u>2008</u>	<u>2007</u>	<u>2006</u>
OPERATING REVENUES	\$ 133,029,672	\$ 116,152,794	\$ 110,249,949
OPERATING EXPENSES:			
Salaries, wages, and benefits	18,345,791	16,702,856	15,135,860
Purchased transportation and other rent	33,582,188	28,284,876	26,003,083
Fuel	28,510,000	18,851,635	14,704,320
Operating and maintenance (exclusive of depreciation & dry-docking shown separately below)	26,174,043	23,009,628	22,570,884
Dry-docking	972,113	4,544	12,765,606
Taxes and licenses	565,470	432,285	426,419
Insurance and claims	3,221,112	3,226,439	3,685,332
Communications and utilities	759,589	672,739	507,629
Depreciation and amortization	6,160,384	5,640,543	5,278,337
Loss (gain) on sale of assets	232,397	55,421	(105,905)
Other operating expenses	7,546,744	5,064,093	4,427,050
	<u>126,069,831</u>	<u>101,945,059</u>	<u>105,398,615</u>
OPERATING INCOME	6,959,841	14,207,735	4,851,334
NONOPERATING (EXPENSE) INCOME:			
Interest expense	(10,354,015)	(10,274,249)	(10,249,671)
Interest income	164,479	589,263	412,876
	<u>(10,189,536)</u>	<u>(9,684,986)</u>	<u>(9,836,795)</u>
(LOSS) INCOME BEFORE (PROVISION) BENEFIT FOR INCOME TAXES	(3,229,695)	4,522,749	(4,985,461)
(PROVISION) BENEFIT FOR INCOME TAXES	(9,046)	(4,773,359)	4,967,368
NET LOSS	<u>\$ (3,238,741)</u>	<u>\$ (250,610)</u>	<u>\$ (18,093)</u>
PER SHARE AMOUNTS:			
NET LOSS PER SHARE BASIC	<u>\$ (0.27)</u>	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>
NET LOSS PER SHARE DILUTED	<u>\$ (0.27)</u>	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>

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

TRAILER BRIDGE, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (CAPITAL DEFICIT)

	Common Stock		Treasury Stock		Additional Paid-In Capital	Capital Deficit	Total
	Shares	Amount	Shares	Amount			
Balance January 1, 2006	11,775,652	\$ 117,757			\$ 52,178,786	\$ (51,514,422)	\$ 782,121
Net Loss	-	-	-	-	-	(18,093)	(18,093)
Compensation - Stock Options	-	-	-	-	144,089	-	144,089
Options Exercised	12,135	121	-	-	34,477	-	34,598
Balance December 31, 2006	<u>11,787,787</u>	<u>117,878</u>	<u>-</u>	<u>-</u>	<u>52,357,352</u>	<u>(51,532,515)</u>	<u>942,715</u>
Net Loss	-	-	-	-	-	(250,610)	(250,610)
Compensation - Stock Options	-	-	-	-	397,239	-	397,239
Options Exercised	143,777	1,438	-	-	322,053	-	323,491
Balance December 31, 2007	<u>11,931,564</u>	<u>119,316</u>	<u>-</u>	<u>-</u>	<u>53,076,644</u>	<u>(51,783,125)</u>	<u>1,412,835</u>
Net Loss	-	-	-	-	-	(3,238,741)	(3,238,741)
Compensation - Stock Options	-	-	-	-	399,600	-	399,600
Options Exercised	7,357	73	-	-	(15,461)	-	(15,388)
Purchase of Treasury Stock	-	-	(100,000)	(400,000)	-	-	(400,000)
Balance December 31, 2008	<u>11,938,921</u>	<u>\$ 119,389</u>	<u>(100,000)</u>	<u>\$ (400,000)</u>	<u>\$ 53,460,783</u>	<u>\$ (55,021,866)</u>	<u>\$ (1,841,694)</u>

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

TRAILER BRIDGE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED December 31,

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating activities:			
Net loss	\$ (3,238,741)	\$ (250,610)	\$ (18,093)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	6,160,384	5,636,298	5,274,201
Amortization of loan costs	745,439	747,479	844,207
Non-cash stock compensation expense	399,600	397,239	144,089
Provision for doubtful accounts	913,009	1,662,918	1,096,763
Deferred tax (benefit) expense	(93,776)	4,666,761	(4,975,360)
Loss (gain) on sale of fixed assets	232,397	55,421	(105,905)
Decrease (increase) in:			
Trade receivables	(1,936,734)	(1,381,282)	(1,988,751)
Prepaid and other current assets	835,580	(343,050)	118,346
Other assets	(38,579)	(298,176)	-
Increase (decrease) in:			
Accounts payable	(1,698,434)	1,512,984	(746,555)
Accrued liabilities	2,165,174	(319,114)	1,718,741
Unearned revenue	(61,316)	(118,420)	(193,829)
Net cash provided by operating activities	<u>4,384,003</u>	<u>11,968,448</u>	<u>1,167,854</u>
Investing activities:			
Purchases of property and equipment	(2,094,797)	(19,820,356)	(3,194,354)
Proceeds from sale of property and equipment	181,761	347,666	747,658
Additions to other assets	(124,058)	(261,325)	(1,201,775)
Net cash used in investing activities	<u>(2,037,094)</u>	<u>(19,734,015)</u>	<u>(3,648,471)</u>
Financing activities:			
Payments on borrowing from affiliate	-	(888,132)	(818,913)
Exercise of stock options	(15,388)	323,491	34,598
Purchase of treasury stock	(400,000)	-	-
Cash received from notes payable	5,433,030	4,561,760	-
Principal payments on notes payable	(2,080,803)	(1,208,902)	(1,208,902)
Loan costs	-	-	(5,540)
Net cash provided by (used in) financing activities	<u>2,936,839</u>	<u>2,788,217</u>	<u>(1,998,757)</u>
Net increase (decrease) in cash and cash equivalents	5,283,749	(4,977,350)	(4,479,374)
Cash and cash equivalents, beginning of the period	1,932,535	6,909,885	11,389,259
Cash and cash equivalents, end of the period	<u>\$ 7,216,284</u>	<u>\$ 1,932,535</u>	<u>\$ 6,909,885</u>
Supplemental cash flow information and non-cash investing and financing activities:			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash paid for interest	\$ 10,363,998	\$ 10,265,131	\$ 10,424,813
Cash paid for income taxes	\$ 85,901	\$ -	\$ 7,992

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

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business - Trailer Bridge, Inc. (the "Company") is a domestic trucking and marine transportation company with contract and common carrier authority. Highway transportation services are offered in the continental United States, while marine transportation is offered between Jacksonville, Florida, San Juan, Puerto Rico and Puerto Plata, Dominican Republic.

Cash and Cash Equivalents - The Company considers cash on hand and amounts on deposit with financial institutions with original maturities of three months or less to be cash equivalents. Some of the amounts on deposit with financial institutions may exceed FDIC limits.

Allowance for Doubtful Accounts - The Company records a monthly provision based on specific known collectability problems, historical losses, and current economic information. In addition, the Company performs an analysis of the total receivables on a quarterly basis, and adjusts the provision account each quarter. It is the Company's policy to write off receivables once it is determined that additional efforts of collection will not result in the collection of the receivable.

Property and Equipment - Property and equipment are carried at cost. Property and equipment are depreciated to their estimated salvage values on a straight-line method based on the following estimated useful lives:

	<u>Years</u>
Buildings and structures	40
Office furniture and equipment	6-10
Leasehold improvements	2-12
Freight equipment:	4-40
Vessels	20-40
Tractors	4
Containers, Chassis and VTM's	18
Trailers	12

The Company expenses maintenance and repair costs, including regulatory dry-docking of its vessels, as incurred.

Tires on revenue equipment purchased are capitalized as part of the equipment cost and depreciated over the life of the vehicle. Replacement tires are expensed when placed in service.

Leasehold improvements and equipment under capital leases are amortized over the lesser of the estimated lives of the asset or the lease terms.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by net undiscounted cash flows expected to be generated by the asset. An impairment loss is recognized if the carrying value exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell.

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Revenue Recognition and Classification - In accordance with Emerging Issues Task Force ("EITF") Issue No. 91-09, *"Revenue and Expense Recognition for Freight Services in Process,"* voyage revenue is recognized ratably over the duration of a voyage based on the relative transit time in each reporting period; commonly referred to as the "percentage of completion" method. Voyage expenses are recognized as incurred. Net demurrage and charterhire revenue are included in the Company's revenues. Net demurrage is a charge assessed for failure to return empty freight equipment on time less a demurrage related allowance for bad debt. Charterhire is rental revenue for vessels not in use in a liner service. The Company recognizes demurrage and charterhire revenue based on negotiated fees included in the contracts of its customers. These amounts are computed daily and included in "Operating Revenue." The Company has in place fuel surcharges that are stipulated in the Company's tariff at predetermined levels based upon the price of fuel. The fuel surcharge is distinguished from freight revenues and is reported in the Company's operating revenues. The fuel surcharge was approximately \$26.1 million, \$17.3 million, and \$16.9 million for the years ended December 31, 2008, 2007 and 2006, respectively.

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

As a result of the implementation of FIN 48, the Company performed a review of its uncertain tax positions in accordance with FIN 48 and concluded that there were no significant adjustments required related to uncertain tax positions. As of the adoption date, the Company had no accrued interest expense or penalties related to unrecognized tax benefits. Interest and penalties, if incurred, would be recognized as a component of income tax expense. As of December 31, 2008, there has been no change to the assessment as of the adoption date. The Company does not believe there will be any material changes in its unrecognized position over the next 12 months.

The Company files income tax returns in the U.S. federal jurisdiction and each state jurisdiction in which it operates which imposes an income tax. The Company has not been subject to Internal Revenue Service (IRS) examination of its federal income tax returns. Filed federal tax returns for the years of 2005, 2006 and 2007 remain subject to examination by the IRS. The Company is not currently involved in any state income tax examination.

Earnings Per Share - Basic earnings per share ("EPS") is computed by dividing earnings applicable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of securities that could participate in the earnings.

Options to purchase 383,564, 1,096,986, and 483,472 shares of the Company's common stock were excluded from the calculation of diluted earnings per share as their effect would be anti-dilutive during

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

the years ended December 31, 2008, 2007 and 2006, respectively.

Stock-Based Compensation - In the first quarter of 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "*Share-Based Payment*" ("SFAS 123R"). This Statement requires companies to expense the estimated fair value of stock options and similar equity instruments issued to employees over the vesting period in their statement of operations. The Company adopted SFAS 123R using the modified prospective method effective January 1, 2006, which requires the Company to record compensation expense over the vesting period for all awards granted after the date of adoption, and for the unvested portion of previously granted awards that remain outstanding at the date of adoption. For the years ended December 31, 2008, 2007, and 2006 compensation expense in the amounts of \$399,600, \$397,239, and \$144,089, respectively, were recorded as part of salaries, wages, and benefits in the statement of operations.

Advertising Costs - The Company's advertising costs are expensed as incurred. Advertising costs for the years ended December 31, 2008, 2007, and 2006 were \$27,530, \$120,369, and \$25,096, respectively.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Recently Issued Accounting Pronouncements - In May 2008, the FASB issued SFAS No. 162, "*The Hierarchy of Generally Accepted Accounting Principles*." SFAS 162 identifies the sources of accounting principles to be used in the preparation of financial statements that are presented in conformity with generally accepted accounting principles in the United States for non-governmental entities. SFAS 162 was effective November 2008. The adoption of SFAS 162 did not have a material impact on the Company's financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "*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 Company does not expect that the implementation of this statement will have a material impact on its results of operations, financial position, or liquidity.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*," providing companies with an option to report selected financial assets and liabilities at fair value. SFAS 159's objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. United States generally accepted accounting principles has required different measurement attributes for different assets and liabilities that can create artificial volatility in earnings. SFAS 159 helps to mitigate this type of accounting-induced volatility by enabling companies to report related assets and liabilities at

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

fair value, which would likely reduce the need for companies to comply with detailed rules for hedge accounting. SFAS 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the Company's choice to use fair value on its earnings. It also requires entities to display the fair value of those assets and liabilities for which it has chosen to use fair value on the face of the balance sheet. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS 159 had no material impact on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*". This statement establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair-value measurements. SFAS 157 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". For the Company, SFAS 157 is effective for the fiscal year beginning after November 15, 2007; however, the FASB has deferred the implementation of the provision of SFAS 157 relating to nonfinancial assets and liabilities until January 1, 2009. The adoption of SFAS 157 had no material impact on the Company's financial statements.

2. PROPERTY AND EQUIPMENT , NET

Property and equipment at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Vessels	\$ 55,894,395	\$ 55,708,780
Containers and trailers	35,362,448	35,096,560
Chassis	20,591,025	20,340,652
Tractors	5,202,270	5,135,200
Office furniture and equipment	4,001,763	3,949,339
Buildings and structures	2,789,835	2,714,116
VTM's	2,461,437	2,510,732
Leasehold improvements	1,703,268	1,327,550
Land	1,254,703	1,254,703
	<u>129,261,144</u>	<u>128,037,632</u>
less: accumulated depreciation and amortization	<u>(39,956,322)</u>	<u>(34,275,058)</u>
	<u>\$ 89,304,822</u>	<u>\$ 93,762,574</u>

Depreciation and amortization expense on property and equipment was \$6,160,384, \$5,640,543, and \$5,278,337, in 2008, 2007, and 2006, respectively.

3. TRANSACTIONS WITH RELATED PARTIES

On December 17, 2008, the Company purchased 100,000 shares of the Company's common stock from John D. McCown at \$4.00 per share at which time the closing market price was \$4.20 per share. This was

TRAILER BRIDGE, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

in connection with Mr. McCown's resignation as Chief Executive Officer of the Company on December 15, 2008. Mr. McCown's employment agreement was amended so that the Company will pay his severance in equal installments over a 24-month period (instead of 50% in a lump sum within 30 days after separation from service). Mr. McCown will continue to serve as a director of the Company. Approximately \$830,000 is recorded in salaries, wages, and benefits as of December 31, 2008 related to Mr. McCown's severance agreement.

During 2007, the related party debt had been completely repaid. This debt arose in a prior year from deferred charterhire payments to K Corp., an entity acquired in 2004 by the Company and the former lessor of the Company's ro/ro vessels, had an interest rate of 8.03% and was payable in 36 equal monthly installments which began in January 2005. As the debt was repaid in 2007, there was nothing outstanding as of December 31, 2008.

4. LONG-TERM DEBT

Following is a summary of long-term debt at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Senior secured notes maturing on November 15, 2011; Interest on the notes is payable semi-annually on each May 15 and November 15, beginning on May 15, 2006. The notes accrue interest at 9 1/4 % per year on the principal amount. The notes are collateralized by a first priority lien with a carrying value of \$41.0 million on two roll-on/roll-off barges, certain equipment and the Jacksonville, Florida office and terminal, including associated real estate.	\$85,000,000	\$85,000,000
Ship-financing bonds and notes (Title XI) maturing on March 30, 2023; payable in semi-annual installments of principal and interest; interest is fixed at 6.52%; collateralized by vessels with a carrying value of \$13,175,114 at December 31, 2008; amount is guaranteed by The United States of America under the Title XI Federal Ship Financing Program	10,800,432	11,545,290
Ship-financing bonds and notes (Title XI) maturing on September 30, 2022; payable in semi-annual installments of principal and interest; interest is fixed at 7.07%; collateralized by vessels with a carrying value of \$8,479,446 at December 31, 2008; amount is guaranteed by The United States of America under the Title XI Federal Ship Financing Program	6,496,607	6,960,651
Wachovia term note maturing on April 23, 2012; payable in monthly installments of principal and interest; interest is calculated using the Prime rate on the first day of the month; collateralized by eligible new equipment with a carrying value of \$16,301,686 at December 31, 2008. The interest rate on this note for the years ended December 31, 2008 and 2007 was equal to the Prime rate of 4.0% and 7.5%, respectively.	9,122,889	4,561,760
First National Bank note which matured on June 21, 2008; payable in monthly installments of principal and interest; interest was fixed at 8.00%.	-	39,025
	<u>\$ 111,419,928</u>	<u>\$ 108,106,726</u>
Less current portion	<u>(2,874,700)</u>	<u>(2,008,220)</u>
	<u>\$ 108,545,228</u>	<u>\$ 106,098,506</u>

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

(A) SENIOR SECURED NOTES

The \$85 million in 9¼ % Senior Secured Notes mature on November 15, 2011. Interest on the notes is payable semi-annually each May 15 and November 15. The notes are secured by a first priority lien for the benefit of the holders of the notes on our two ro/ro barges, certain equipment and our Jacksonville, Florida office and terminal, including associated real estate. The notes are subordinated to the Title XI debt collateralized by the TBC barges. Prior to November 15, 2008, the Company had the option to redeem some or all of the notes at a make-whole premium. After November 15, 2008, the Company may redeem the notes, in whole or in part, at its option at any time or from time to time at the redemption prices specified in the indenture governing the notes, plus accrued and unpaid interest thereon, if any, to the redemption date. Upon the occurrence of certain changes in control specified in the indenture governing the notes, the holders of the notes will have the right, subject to certain conditions, to require the Company to repurchase all or any part of their notes at a repurchase price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest thereon, if any, to the redemption date. The agreement among other things, places restrictions (as defined) on the Company's ability to (a) incur or guarantee additional debt (b) to pay dividends, repurchase common stock or subordinated debt (c) create liens (d) transact with affiliates and (e) transfer or sell assets.

(B) SHIP FINANCING BONDS AND NOTES

In the first quarter of 2004, the Company received approval to reschedule principal payments over the remaining life of each Title XI issue. As rescheduled, the Company's semi-annual principal payments on each of the bonds increased to \$232,022 and \$372,429 respectively. In addition, in connection with obtaining the consent of the Secretary of Transportation of the United States of America (the "Secretary") to offer and sell senior secured notes, in December 2004 the Company deposited approximately \$2.0 million into a reserve fund that secures the Title XI Bonds. As of December 31, 2008 and 2007, the Company did not comply with the financial covenants relating to certain leverage ratios contained in the Title XI debt agreements. The default provisions of the Title XI covenants provide that, in the event of default, the Company is restricted from conducting certain financial activities without obtaining the written permission of the Secretary. The Company may not take, without prior written approval, any of the following actions: (1) acquire any fixed assets other than those required for the normal operation and maintenance of our 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 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 our assets, other than pursuant to loans guaranteed by the Secretary under Title XI and liens incurred in ordinary course of business. However, none of the foregoing restrictions will apply at any time if the Company meets certain financial tests provided for in the agreement and the Company has satisfied our obligation to make deposits into the reserve fund. In November 2004, the Company received permission from the Secretary to issue \$85 million in Senior Secured Notes and to use the proceeds of this transaction to fund the acquisition of K Corp., repay K Corp.'s indebtedness, repay our existing debts, and exercise certain equipment purchase options on equipment previously leased. As of December 31, 2008 and 2007, the Company has not performed any such restricted financial activities and therefore it's in compliance with such restrictions. The United States of America under the Title XI Federal Ship Financing Program guarantees the bonds.

According to the Title XI debt agreement, the Company is required to make a deposit based on adjusted earnings as defined by the agreement into a reserve fund that secures the Title XI Bonds. The total

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

amount held in deposit was \$4.1 million as of December 31, 2008 and 2007, which is included in the long-term asset section of the balance sheet. Under certain circumstances, the Title XI debt agreement requires an annual deposit until an amount equal to fifty percent of the outstanding balance is reached which is approximately \$8.6 million as of December 31, 2008. Based on the adjusted earnings, as defined in the agreement, the Company did not have a deposit requirement in 2008 and 2007. In 2006, the Company deposited \$1.1 million into the reserve fund.

(C) WACHOVIA TERM LOAN

The Company has access to a term loan with Wachovia 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 December 31, 2008, approximately \$9.1 million was outstanding, of which \$5.4 million was advanced in 2008 to fund equipment purchases. This term loan is collateralized by eligible equipment with a carrying value of \$16.3 million at December 31, 2008.

(D) EQUIPMENT DEBT

The Company's note payable with First National Bank arose from a purchase option within a lease of office equipment. The note had an interest rate of 8.00% and matured in June 2008.

(E) REVOLVING LINE OF CREDIT

The Company's revolving credit facility with Wachovia, as amended, provides for a maximum availability of \$10 million and expires April 2012. The facility provides for interest equal to the prime rate. The revolving line of credit is subject to a borrowing base formula (approximately \$10.0 million was available under this formula at December 31, 2008) based on a percentage of eligible accounts receivable. The revolving credit facility is secured by the Company's accounts receivable. At December 31, 2008, there were no advances drawn on this credit facility. During the fourth quarter of 2008, the Company and Wachovia amended the Revolving Credit Agreement to eliminate all financial covenants at any time the Company has at least \$3.0 million in unused borrowing capacity under the facility. As of December 31, 2008 the Company had \$10.9 million available under this facility and therefore was not subject to any financial covenants.

Following are maturities of long-term debt at December 31, 2008:

2009	\$	2,874,700
2010		2,874,700
2011		87,874,700
2012		2,874,700
2013		2,874,700
Thereafter		<u>12,046,428</u>
	\$	<u>111,419,928</u>

5. OPERATING LEASES

The Company has various operating lease agreements principally for land leases, office facilities, charterhire, tug charter and equipment. The Company also has a lease agreement with the Port Authority of Jacksonville, whereas, monthly rent is calculated based on the total tonnage shipped, with an annual minimum guarantee of approximately \$1.9 million. During the years ended December 31, 2008, 2007, and 2006, the Company did not exceed the minimum tonnage under this lease agreement to require

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS

(continued)

additional rent. In addition, the Company is responsible for all fuel costs associated with its tug charterhire agreements.

Future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2008 are as follows:

2009	\$	6,724,836
2010		2,916,405
2011		1,904,955
2012		1,880,794
2013		1,367,963
		<u>14,794,953</u>
	\$	<u>14,794,953</u>

Included in the amounts in the table above is tug charter hire of \$3.6 million in 2009 and \$0.2 million in 2010, respectively.

Rent expense for all operating leases, including leases with terms of less than one year, was \$14,531,028, \$13,839,875, and \$13,073,117 for 2008, 2007, and 2006, respectively. Included in the \$14.5 million of rent expense is \$11.3 million related to tug charter hire, of which \$5.6 million is directly related to chartering the tugs and approximately \$5.7 million was related to the labor associated with the tug charters. This relationship where the capital cost component is typically just under half the total tug charter hire amount is believed to be fairly consistent among all the tug charter agreements.

6. OTHER ASSETS

Other assets consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Debt issuance costs, net of accumulated amortization	3,117,034	3,840,000
Other	<u>587,456</u>	<u>517,554</u>
	<u>\$ 3,704,490</u>	<u>\$ 4,357,554</u>

Amortization expense for the years ended December 31, 2008, 2007, and 2006 was \$838,978, \$840,060, and \$912,060, respectively.

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

7. ACCRUED LIABILITIES

Accrued liabilities consist of the following at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Marine expense	\$ 3,454,775	\$ 2,549,486
Interest	1,313,508	1,323,492
Salaries and wages	815,650	352,624
Rent	932,574	532,022
Purchased transportation	391,310	595,527
Fringe benefits	270,678	335,660
Taxes	79,596	19,606
Other	436,599	252,930
	<u>\$ 7,694,690</u>	<u>\$ 5,961,347</u>

8. INCOME TAXES

The (provision) benefit for income taxes is comprised of the following for the years ended December 31, 2008, 2007 and 2006:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current:			
Federal	\$ (29,000)	\$ -	\$ 136
State	113,729	(106,598)	(8,128)
	<u>84,729</u>	<u>(106,598)</u>	<u>(7,992)</u>
Deferred			
Federal	(1,316)	(1,624,711)	1,533,851
State	24,143	113,635	291,019
	<u>22,827</u>	<u>(1,511,076)</u>	<u>1,824,870</u>
Valuation allowance decrease (increase)	<u>(116,602)</u>	<u>(3,155,685)</u>	<u>3,150,490</u>
Total income tax (provision) benefit	<u>\$ (9,046)</u>	<u>\$ (4,773,359)</u>	<u>\$ 4,967,368</u>

Income tax (provision) benefit for the years ended December 31, 2008, 2007 and 2006 differs from the amounts computed by applying the statutory Federal corporate rate to income (loss) before (provision) benefit for income taxes. The differences are reconciled as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tax (provision) benefit at statutory Federal rate	\$ 1,098,097	\$ (1,537,710)	\$ 1,695,056
Qualifying shipping income	(1,128,856)	-	-
(Increase) decrease in deferred tax asset			
valuation allowance	(116,602)	(3,155,685)	3,150,490
Nondeductible expenses	(4,298)	(75,460)	(69,605)
State income taxes	142,613	(4,504)	191,427
Total income tax (provision) benefit	<u>\$ (9,046)</u>	<u>\$ (4,773,359)</u>	<u>\$ 4,967,368</u>

Deferred income taxes reflect the net tax effect of temporary differences between carrying amounts of assets and

TRAILER BRIDGE, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

liabilities for financial reporting purposes and the amounts used for income taxes.

The components of the Company's net deferred tax asset at December 31, 2008 and 2007 are as follows:

	<u>2 0 0 8</u>	<u>2 0 0 7</u>
D e f e r r e d t a x a s s e t s :		
N e t o p e r a t i n g l o s s c a r r y f o r w a r d s	\$ 2 , 0 3 3 , 1 4 0	\$ 2 8 , 8 6 7 , 8 2 3
E m p l o y e e s t o c k o p t i o n	1 9 , 1 2 4	1 4 1 , 3 5 3
I n t a n g i b l e A s s e t	5 , 5 8 1	1 0 4 , 9 7 7
A l l o w a n c e f o r b a d d e b t s	1 4 , 3 7 6	3 5 9 , 5 2 0
A c c r u e d v a c a t i o n	6 , 4 9 6	1 1 9 , 4 4 2
O t h e r	5 , 6 8 2	1 0 9 , 0 9 1
G r o s s d e f e r r e d a s s e t s	<u> 2 , 0 8 4 , 3 9 9</u>	<u> 2 9 , 7 0 2 , 2 0 6</u>
D e f e r r e d t a x l i a b i l i t i e s :		
F i x e d a s s e t b a s i s	<u> 1 , 4 6 7 , 4 0 8</u>	<u> 2 1 , 1 9 8 , 2 7 1</u>
G r o s s d e f e r r e d t a x l i a b i l i t i e s	1 , 4 6 7 , 4 0 8	2 1 , 1 9 8 , 2 7 1
D e f e r r e d t a x a s s e t v a l u a t i o n a l l o w a n c e	<u> 3 3 8 , 1 3 5</u>	<u> 8 , 3 0 1 , 9 3 4</u>
N e t d e f e r r e d t a x a s s e t	<u><u> \$ 2 7 8 , 8 5 6</u></u>	<u><u> \$ 2 0 2 , 0 0 1</u></u>

The Company has recorded deferred tax assets as reflected above. In assessing the ability to realize the deferred tax assets, management considers, whether it is more likely than not, that some portion, or the entire deferred tax asset will be realized. The ultimate realization is dependent on generating sufficient taxable income in future years.

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 federal corporate income tax on the taxable income from such vessels and related inland service. The Company has determined that its marine operations and inland transportation related to marine operations qualify for the tonnage tax. In the second quarter of 2007, the Company completed its analysis of the impact of making the election to be taxed under the tonnage tax regime. The analysis illustrated that using the tonnage tax method would reduce the Company's cash outlay related to federal income taxes. For federal tax purposes, the Company can satisfy only 90% of its AMT (Alternative Minimum Taxable) income with its net operating loss carryforwards (NOL) and, therefore, results in a much larger cash outlay in comparison to the required payments associated with the tonnage tax regime. As a result of this analysis, the Company determined that it would be making the election to be taxed under the tonnage tax regime on its 2007 federal tax return. As a result, it was more likely than not that the Company would not be able to utilize its deferred tax asset. Therefore during the second quarter of 2007, the deferred tax asset was adjusted by approximately \$4.6 million to reflect this limitation. The remaining deferred tax asset at December 31, 2008 and 2007 of approximately \$279,000 and \$202,000, respectively, represents primarily 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. The 2008 election of the tonnage tax was made in connection with the filing of the Company's 2007 federal corporate income tax return and will also apply to all subsequent federal income tax returns unless the Company revokes this tax treatment. The Company is accounting for this election as a change in status of its qualifying shipping activities. As a result of the change in status, federal deferred tax assets and liabilities, including approximately \$85 million of federal NOL's, which were previously offset by a valuation allowance, have been suspended. It cannot be assured that there will not be future efforts to repeal all, or any portion of, the tonnage tax as it applies to our shipping activities. The federal tax expense related to the tonnage tax method is estimated to be \$28,000 which could not be offset by the Company's existing NOL's under the tonnage tax regime.

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

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

As a result of the implementation of FIN 48, the Company performed a review of its uncertain tax positions in accordance with FIN 48 and concluded that there were no significant adjustments required related to uncertain tax positions. As of the adoption date, the Company had no accrued interest expense or penalties related to unrecognized tax benefits. Interest and penalties, if incurred, would be recognized as a component of income tax expense. As of December 31, 2008, there has been no change to the assessment as of the adoption date. The Company does not believe there will be any material changes in its unrecognized position over the next 12 months.

The Company files income tax returns in the U.S. federal jurisdiction and each state jurisdiction in which it operates which imposes an income tax. The Company has not been subject to Internal Revenue Service (IRS) examination of its federal income tax returns. Filed federal tax returns for the years of 2005, 2006 and 2007 remain subject to examination by the IRS. The Company is not currently involved in any state income tax examination.

9. STOCKHOLDERS' EQUITY

In 1997, the Company's Board of Directors and stockholders authorized the establishment of an Incentive Stock Plan (the "Plan"). The purpose of the Plan is to promote the interests of the Company and its shareholders by retaining the services of outstanding key management members and employees and encouraging them to have a greater financial investment in the Company and increase their personal interest in its continued success. The Company initially reserved 785,000 shares of common stock for issuance pursuant to the Plan to eligible employees under the Plan. In July 2000, the Board of Directors authorized an increase of 515,000 shares of common stock reserved under the Plan. In May 2006, the Board of Directors authorized an increase of 500,000 shares of common stock reserved under the Plan. In April 2007 the Board of Directors extended the expiration date of the plan for five years until July 2012. All such reservations and amendments were made pursuant to shareholder approval. Awarded options that expire unexercised or are forfeited become available again for issuance under the Plan. The options vest equally over a period of five years and the maximum term for a grant is ten years. As of December 31, 2008, there were 166,887 options available for grant under the Plan.

In July 2000, the Company's Board of Directors and its stockholders authorized the establishment of the Non-Employee Director Stock Incentive Plan (the "Director Plan"). The purpose of the Director Plan is to assist the Company in attracting and retaining highly competent individuals to serve as non-employee directors. The Company has reserved 50,000 shares of common stock for issuance pursuant to the

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

Director Plan. Awarded options that expire unexercised or are forfeited become available again for issuance under the Director Plan. The exercise price per share of options granted under the Director Plan shall not be less than 100% of the fair market value of the common stock on the date of grant. Such options become exercisable at the rate of 20% per year beginning on the first anniversary date of the grant and the maximum term for a grant is ten years. As of December 31, 2008, there were 9,889 options available for grant under the Director Plan.

On December 20, 2006 and January 9, 2008, the Company granted options to purchase 300,000 and 96,500 shares of the Company's common stock, respectively, under the Company's Incentive Stock Plan. In accordance with SFAS 123R, the assumptions used to calculate the fair value of those options, using the Black-Scholes method, granted during the years ended December 31, 2008 and 2006 are as follows:

	Years ended December 31,	
	2008	2006
Expected Term	6.5 years	6.5 years
Volatility	45.98%	86.00%
Risk-free interest rate	3.40%	4.57%
Dividends	None	None

There were no stock options granted during 2007.

The weighted average fair value of options granted for the years ended December 31, 2008 and 2006 was \$5.49 and \$6.60, respectively.

A summary of option activity under the Company's stock-based compensation plan at December 31, 2008 and during the year then ended is presented below:

	2008		
	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at beginning of year	1,096,986	\$ 4.90	
Granted	96,500	10.90	
Exercised	(91,928)	8.77	
Forfeited	(8,308)	5.73	
Outstanding at end of year	<u>1,093,250</u>	\$ 4.99	<u>\$ 675,604</u>
Grants exercisable at year-end	<u>824,340</u>	\$ 3.55	<u>\$ 675,604</u>
Fair value of options granted during the year at the price of \$5.49	\$ 529,785		

The intrinsic value of the options exercised during 2008, 2007, and 2006 was \$97,538, \$1,502,157, and \$57,912, respectively.

TRAILER BRIDGE, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The following table summarizes information about the outstanding options at December 31, 2008:

<u>Exercise Price</u>	<u>Options Outstanding</u>	<u>Weighted-Average Remaining Contractual Life</u>	<u>Options Exercisable</u>
\$ 2.25	150,600	Less than one year	150,600
2.84	324,430	1.6 years	324,430
2.88	234,656	3.4 years	234,656
8.61	287,064	7.9 years	114,654
10.90	96,500	9.1 years	-
	<u>1,093,250</u>		<u>824,340</u>

Remaining non-exercisable options and the related expense as of December 31, 2008 become exercisable as follows:

	<u>Options</u>	<u>Expense</u>
2009	76,770	\$ 443,790
2010	76,770	443,790
2011	76,770	432,398
2012	19,300	97,556
2013	19,300	1,866
	<u>268,910</u>	<u>\$ 1,419,400</u>

During the first quarter of 2008, the Compensation Committee approved the use of the cashless exercise method for the Company's Officer Group for the July 1998 options. This cashless transaction allows the aggregate spread of each holder's options exercise minus relevant taxes to determine the number of shares issued to the holder. Each holder's resulting tax liabilities were paid by the Company and reduced the Company's Additional Paid in Capital Balance. This cashless transaction resulted in an aggregate of 5,429 shares issued to the Officer Group out of 90,000 options to purchase common stock.

During the second quarter of 2007, the Compensation Committee approved the use of the cashless exercise method for the Company's Officer Group for the July 1997 options. This cashless transaction allows the aggregate spread of each holder's options exercise minus relevant taxes to determine the number of shares issued to the holder. Each holder's resulting tax liabilities were paid by the Company and reduced the Company's Additional Paid in Capital Balance. This cashless transaction resulted in an aggregate of 56,373 shares issued to the Officer Group out of 345,344 options to purchase common stock.

The total unamortized fair value of outstanding options at December 31, 2008 is \$1,601,131.

10. EMPLOYEE BENEFIT PLANS

The Company has a 401(k) Plan, which covers substantially all employees in the United States. Participants are permitted to make contributions of up to 25% of their compensation not to exceed certain limitations. The Company makes matching contributions to the Plan at a rate not to exceed 3% of compensation as defined. The Company contributed approximately \$0.2 million to the Plan during each of the years 2008, 2007 and 2006.

In addition, the Company has a 165(e) Plan that covers substantially all employees in Puerto Rico. The Company made contributions of approximately \$28,000, \$29,000, and \$26,000 to the Plan during 2008, 2007, and 2006, respectively.

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

The Company has an Incentive Bonus Program and expensed \$235,588 and \$513,834 during 2007 and 2006, respectively. There were no Incentive Bonus expenses in 2008. Bonuses are based on the Company's pre-tax income (as defined).

11. CONTINGENCIES

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

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

Following publicity about the DOJ investigation, beginning on April 22, 2008, shippers in the Puerto Rico trade lane have filed at least 34 purported class actions against domestic ocean carriers, including Horizon Lines, Sea Star Lines, and Crowley. The Company has been named as a co-defendant in these lawsuits. The actions allege that the defendants inflated prices in violation of federal antitrust laws and seek treble damages, attorneys' fees and injunctive relief. The actions, which were filed in the United States District Court for the Southern District of Florida, the United States District Court for the Middle District of Florida, and the United States District Court for the District of Puerto Rico, have been consolidated for pretrial purposes into a single multi-district litigation proceeding (MDL 1962) in the District Court of Puerto Rico. On March 10, 2009, the Company filed an amended motion to dismiss the claim with the court.

The DOJ investigation is a criminal investigation, and the parallel class actions by civil litigants seek remedies that include treble damages. The Company is cooperating fully with the DOJ and intends to defend itself vigorously against the class actions. Significant legal fees and costs are expected to be incurred in connection with the DOJ investigation and the class actions. During 2008, these costs were approximately \$1.5 million.

The Company is not able to predict the ultimate outcome or cost of the DOJ investigation and class actions. 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 litigation on a number of matters 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.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

instruments:

Cash and Cash Equivalents - For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Accounts Receivable and Accounts Payable - The carrying amounts of accounts receivable and accounts payable approximate fair value due to the relatively short maturities.

Long Term Debt - Interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities are used to estimate fair value for debt instruments. For the year ended December 31, 2008 the estimated fair value of the Company's long-term debt was less than the carrying values by approximately \$298,502. This difference in the fair value and the carrying value is based on the anticipated change in the Company's borrowing rate over the life of the Company's fixed rate debt.

13. 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 from the continental United States to San Juan, Puerto Rico and Puerto Plata, Dominican Republic. Customers are billed for the transportation of goods from the point of origin to the final destination, and are not billed separately for inland or marine transportation. Revenue related to the Dominican Republic service for 2008 and 2007 was \$7.2 million and \$0.5 million, respectively.

While the Company is able to track the expenses for these services separately, the Company does not capture the revenues based on inland or marine transportation because the results of revenues are not considered relevant to the model currently employed by the Company. Instead management and directors of the Company make operating and reporting decisions based on the total results of operations.

14. CONCENTRATION OF GEOGRAPHIC AND MARKET RISK

The Company transports freight between the Continental United States, Puerto Rico and the Dominican Republic for companies in diversified industries who have operations located in these places. There is no one customer that comprises over 10% of the Company's total revenues.

The Company performs periodic credit evaluations of the customer's financial condition and as a condition of the extension of credit the customer agrees that the Company shall have the right to exercise a lien against any shipment tendered. Receivables are generally due within 45 days. Credit losses have been within management's expectations.

TRAILER BRIDGE, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

The Company leases its tug charter from one vendor; the Company believes this risk is mitigated by the availability of tugboat providers currently in the market.

15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Quarter Ended	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008
Operating revenues	\$ 30,409,242	\$ 33,898,265	\$ 35,413,471	\$ 33,308,694
Operating income	692,080	2,208,752	2,610,285	1,448,724
Net income (loss)	(1,822,556)	(329,261)	34,444	(1,121,368)
Net income (loss) attributable to common shares	(1,822,556)	(329,261)	34,444	(1,121,368)
Net income (loss) per share - basic	\$ (0.15)	\$ (0.03)	\$ -	\$ (0.09)
diluted	\$ (0.15)	\$ (0.03)	\$ -	\$ (0.09)
Quarter Ended	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
Operating revenues	\$ 26,840,504	\$ 29,555,590	\$ 28,229,658	\$ 31,527,042
Operating income (loss)	3,759,895	5,257,034	2,771,818	2,418,988
Net (loss) income	1,325,589	(1,873,679) (a)	364,813	(67,333)
Net (loss) income attributable to common shares	1,325,589	(1,873,679)	364,813	(67,333)
Net (loss) income per share - basic	\$ 0.11	\$ (0.16) (a)	\$ 0.03	\$ (0.01)
diluted	\$ 0.11	\$ (0.16) (a)	\$ 0.03	\$ (0.01)

(a) During the second quarter of 2007, the Company adjusted its valuation allowance for its deferred tax asset by approximately \$4.6 million or \$0.40 per share as a result of its planned adoption of the tonnage tax.

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED December 31, 2008**

Allowance for Doubtful Accounts

<u>Year</u>	<u>Balance at Beginning of the year</u>	<u>Charged to Costs and Expenses</u>	<u>Deductions (Chargeoffs)</u>	<u>Balance at end of year</u>
2008	\$ 1,010,341	\$ 913,009	\$ (1,324,333)	\$ 599,017
2007	\$ 864,875	\$ 1,662,918	\$ (1,517,452)	\$ 1,010,341
2006	\$ 606,717	\$ 1,096,763	\$ (838,605)	\$ 864,875

It is the policy of the Company to write off receivables once it is determined that additional efforts of collection will not result in the receipt of the receivable.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

Item 9A(T). 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 accounting officer concluded that Trailer Bridge, Inc.'s disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting identified in connection with the evaluation referred to in paragraph (a) above that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO")

in "Internal Control – Integrated Framework" as of and for the year ended December 31, 2008. Based on our evaluation under the framework in "Internal Control – Integrated Framework", our management concluded that our internal control over financial reporting was effective as of the end of the period covered by this annual report.

- (d) This annual report on Form 10-K does not include an attestation report of the Company's registered certified public accounting firm regarding internal control over financial reporting. Management's report is not subject to attestation by the Company's registered certified public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Form 10-K for the year ended December 31, 2008.

Item 9B. Other Information

None

PART III

Incorporated by Reference

The information called for by Item 10 "Directors, Executive Officers and Corporate Governance of the Registrant", Item 11 "Executive Compensation", Item 12 "Security Ownership of Certain Beneficial Owners and Management", Item 13 "Certain Relationships, Related Transactions and Director Independence " and Item 14 "Principal Accounting Fees and Services" is incorporated herein by this reference to the Company's definitive proxy statement for its annual meeting of stockholders which definitive proxy statement is expected to be filed with the Commission not later than 120 days after the end of the fiscal year to which this report relates.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Documents Filed as Part of this Report

1. Financial Statement Schedules:

Schedule II - Valuation and Qualifying Accounts and Reserves, for each of the three years ended December 31, 2008, 2007 and 2006.

All other schedules are omitted as the required information is not applicable or the information is presented in the Financial Statements and notes thereto in Item 8.

2. Exhibits.

EXHIBIT INDEX

(Exhibits being filed with this Form 10-K)

<u>EXHIBIT NUMBER</u>	<u>DESCRIPTION OF EXHIBITS</u>
3.1.1(5)	Amended and Restated Certificate of Incorporation of Trailer Bridge, Inc.
3.2(1)	Form of Amended and Restated Bylaws of the Registrant
4.1	See Exhibits 3.1.1 and 3.2 for provisions of the Certificate of Incorporation and Bylaws of the Registrant defining the rights of holders of the Registrant's Common Stock
10.1(1)#	Form of Indemnification Agreement with Directors and Executive Officers
10.8.13(5)	United States Government Guaranteed Ship Financing Bond, 1997 Series, Amended and Restated September 30, 2003, in the amount of \$10,515,000
10.8.14(5)	Trust Indenture, Second Supplement to Special Provisions
10.8.15(5)	United States Government Guaranteed Ship Financing Bond, 1997 Series II, Amended and Restated September 30, 2003, in the amount of \$16,918,000
10.8.16(6)	Trust Indenture, Third Supplement to Special Provisions
10.8.17(6)	United States Government Guaranteed Ship Financing Bond, 1997 Series, Amended and Restated April 29, 2004, in the amount of \$10,515,000
10.8.18(6)	Trust Indenture, Third Supplement to Special Provisions
10.8.19(6)	United States Government Guaranteed Ship Financing Bond, 1997 Series II, Amended and Restated April 29, 2004, in the amount of \$16,918,000
10.8.20(7)	Trust Indenture, Fourth Supplement to Special Provisions

**EXHIBIT
NUMBER**

DESCRIPTION OF EXHIBITS

10.8.21(7)	Trust Indenture, Fourth Supplement to Special Provisions
10.8.22(10)	Third Amendment to Amended and Restated Title XI Reserve Fund and Financial Agreement dated as of December 1, 2004 by and between Trailer Bridge, Inc. and the United States of America, represented by the Secretary of Transportation, acting by and through the Maritime Administrator.
10.9(1)	Agreement and Lease dated as of August 1, 1991 between the Registrant and the Jacksonville Port Authority
10.9.1(1)	Amendment #5 to Exhibit B, Schedule of Fees and Charges
10.11(1)#	Incentive Stock Plan
10.11.1(1)#	Form of Stock Option Award Agreement
10.11.2(4)#	Amendment No. 1 to Trailer Bridge, Inc. Stock Incentive Plan
10.11.3(4)#	Trailer Bridge, Inc. Non-Employee Director Stock Incentive Plan
10.11.4(4)#	Form of Non-Employee Director Stock Option Award Agreement
10.11.5(12)#	Section 409A Amendments to Option Award Agreements
10.11.6(12)#	Amendment to Non-Employee Director Stock Incentive Plan
10.11.7(12)#	Amendment to Stock Incentive Plan
10.24(6)#	Employment Agreement dated as of April 5, 2003 between Trailer Bridge, Inc. and William G. Gotimer, Jr.
10.24.1(12)#	Amended and Restated Employment Agreement between Trailer Bridge, Inc. and William G. Gotimer, Jr.
10.25(8)#	Amended and Restated Employment Agreement dated as of October 21, 2008 between Trailer Bridge, Inc. and John D. McCown
10.25.4(10)	Amendment No. 2 to Loan and Security Agreement dated as of December 1, 2004, by and between Trailer Bridge, Inc., as Borrower, and Congress Financial Corporation (Florida), as Agent and the Lenders from time to time party thereto, as Lenders.
10.25.5	Loan and Security Agreement dated as of April 23, 2004 by and among Trailer Bridge, Inc., as Borrower, and Congress Financial Corporation (Florida), as Agent and the Lenders from time to time party thereto, as Lenders (incorporated by reference to Exhibit 10.25.1 to the Company's Form 10-K for the year ended December 31, 2003).
10.25.6	Amendment No. 8 to Loan and Security Agreement dated as of October 9, 2008, by and among Trailer Bridge, Inc., as Borrower, and Wachovia Bank, National Association, successor by merger to Congress Financial Corporation (Florida), as

**EXHIBIT
NUMBER**

DESCRIPTION OF EXHIBITS

Agent and the Lenders from time to time party thereto, as Lenders.

- 10.28.1(10) Indenture dated as of December 1, 2004 between Trailer Bridge, Inc. and Wells Fargo Bank, National Association, as Trustee.
- 10.28.2(10) Form of 9 1/4 % Senior Secured Note due 2011 (incorporated by reference to Exhibit A to Exhibit 10.28.1 hereof).
- 10.28.3(10) Security Agreement dated as of December 1, 2004 between Trailer Bridge, Inc. and Wells Fargo Bank, National Association, as Trustee.
- 10.28.4(10) Assignment of Earnings dated as of December 1, 2004 between Trailer Bridge, Inc. and Wells Fargo Bank, National Association, as Trustee.
- 10.28.5(10) Assignment of Insurances dated as of December 1, 2004 between Trailer Bridge, Inc. and Wells Fargo Bank, National Association, as Trustee.
- 10.28.6(10) First Preferred Vessel Mortgage dated as of December 1, 2004 between Trailer Bridge, Inc. and Wells Fargo Bank, National Association, as Trustee.
- 10.28.7(10) Mortgage and Security Agreement dated as of December 1, 2004 between Trailer Bridge, Inc. and Wells Fargo Bank, National Association, as Trustee.
- 10.29.1(10) Purchase Agreement dated as of November 16, 2004 among Trailer Bridge, Inc. and the Initial Purchasers named therein.
- 10.29.2(10) Registration Rights Agreement dated as of December 1, 2004 between Trailer Bridge, Inc. and Wells Fargo Bank, National Association, Trustee.
- 10.30(11) Agreement dated December 15, 2008 between the Company and John D. McCown.
- 23.2(12) Consent of BDO Seidman, LLP, Independent Registered Certified Public Accounting Firm.
- 31.1(12) 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(12) 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(12) 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 2003)
- 99.1(9) Shares Acquisition Agreement dated as of July 23, 2004 by and between the Estate of Malcom P. McLean, Kadampanttu Corp., and Trailer Bridge, Inc.

Management contract or compensatory plan or arrangement.

- (1) Incorporated by reference to the indicated exhibit to the Company's Registration Statement on Form S-1 (File No. 333-28221) that became effective on July 23, 1997.
- (2) Incorporated by reference to the indicated exhibit to the Company's Form 10-Q for the quarter ended September 30, 1997.
- (3) Incorporated by reference to the indicated exhibit to the Company's Form 10-K for the year ended December 31, 1997.
- (4) Incorporated by reference to the indicated exhibit to the Company's Form 10-K for the year ended December 31, 2000.
- (5) Incorporated by reference to the indicated exhibit to the Company's Form 10-Q for the quarter ended September 30, 2003.
- (6) Incorporated by reference to the indicated exhibit to the Company's Form 10-K for the year ended December 31, 2004.
- (7) Incorporated by reference to the indicated exhibit to the Company's Form 10-Q for the quarter ended June 30, 2004.
- (8) Incorporated by reference to the exhibit to the Company's Form 8-K filed on October 23, 2008.
- (9) Incorporated by reference to the indicated exhibit to the Company's Form 8-K dated July 28, 2004.
- (10) Incorporated by reference to the indicated exhibit to the Company's Registration Statement on Form S-4 (File No. 333-122783) which was filed on February 15, 2005.
- (11) Incorporated by reference to the exhibit to the Company's form 8-K filed on December 18, 2008.
- (12) Filed herewith.

Certification

I, **Ralph W. Heim**, certify that:

1. I have reviewed this Annual Report on Form 10-K of Trailer Bridge, Inc. (“registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13(a)-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant’s internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2009

/s/ Ralph W. Heim
Ralph W. Heim
Chief Executive Officer

Certification

I, **Mark A. Tanner**, certify that:

6. I have reviewed this Annual Report on Form 10-K of Trailer Bridge, Inc. ("registrant");
7. 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;
8. 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;
9. 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; and
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting.
10. 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: March 31, 2009

/s/ Mark A. Tanner
Mark A. Tanner
Chief Financial Officer
Page 60

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

Solely for the purposes of complying with 18 U.S.C. § 1350, I, the undersigned President and Chief Executive Officer of Trailer Bridge, Inc. (the “Company”), hereby certify, based on my knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2008 (the “Report”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2009

/s/ Ralph W. Heim
Ralph W. Heim
Chief Executive Officer

**Written Statement of the Chief Financial Officer
Pursuant to 18 U.S.C. § 1350**

Solely for the purposes of complying with 18 U.S.C. § 1350, I, the undersigned Chief Financial Officer of Trailer Bridge, Inc. (the "Company"), hereby certify, based on my knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2008 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2009

/s/ Mark A. Tanner
Mark A. Tanner
Chief Financial Officer

End of Filing

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Corporate Directory

Board of Directors:

Robert P. Burke

John D. McCown

Malcom P. McLean, Jr.,
President,
MPM Investments LLC

Greggory B. Mendenhall,
Special Counsel,
Sheppard Mullin Richter & Hampton LLP

Douglas E. Schimmel,
Managing Director,
Sandler Capital Management

Allen L. Stevens,
Chairman
President,
Stevens Industries, Inc.

Nickel H.S. van Reesema,
President/Principal Owner,
Strong Vessel Operators LLC
Director/Co-Owner
Mid Ocean Marine LLC

Contact Information:

Address: 10405 New Berlin Road East,
Jacksonville, FL 32226
Main Phone Number: (800) 554-1589
Customer Service Number: (800) 727-3859
Bookings and Rates: (800) 727-3859
Truck Dispatch Number: (800) 964-4550
Main Fax Number: (904) 751-7444
Website: www.trailerbridge.com

Officers:

Ralph W. Heim,
President and
Interim Chief Executive Officer

William G. Gotimer, Jr.
Executive Vice President,
General Counsel and Secretary

Mark A. Tanner,
Vice President,
Administration and CFO

Adam E. Gawrysh
Vice President,
Inland Operations

David A. Miskowiec,
Vice President,
Sales

J. Edward Morley,
Vice President,
Operations

Robert van Dijk,
Vice President,
Pricing

Stock Information:

Symbol (Nasdaq): TRBR
2008 High Price: \$12.48
2008 Low Price: \$3.61
2008 Average Daily Volume: 7,120
Approximate Total Shareholders: 1,000
Transfer Agent:
Computershare (781) 575-2934

The Trailer Bridge Team

Below is a listing of all our employees and directors. For our employees who are drivers, their CB radio handle is included in quotes. Trailer Bridge recently marked its 15th Anniversary and the employees who have been with the Company 15 or more years are noted with asterisks.

James "Ail" Ailstock Jen Albritton George "John 3:16" Allen Donny "Coyote" Altland Debi Andersen* Danielle Anderson Cesar Arevalo Mercedes Avery Milagros Ayala Keith "Bear Man" Baehr Lewis "Gator" Baier Francis "Band Aid" Baker Sandra Batts James Bavaro Jack "Early Times" Bishop William Black Rosaida Bobea Omar Botero Michael "Windshield" Bradley Tanisha Bradwell Alison Brannon* Daniel "Ghostrider" Brown Lanel "Automatic" Brown Larry "Southern Yankee" Brown* Robert "Troublemaker" Brymer Robert Burke Jessica Burris Bart "Maverick" Butler Melvin "Peon" Byler Walter "Bandit" Campbell, Jr. Susan Capo* Henrique "Henry" Castanheira Pat Clarke Britton Ronnie "RC" Clevinger John Cole David "Big Orange" Copeland Jose "Hot Dog" Corrada Mark Crews Suzette Crichton Joe Cruise Geraldo Cruz Wildia Cruz-Lopez Chris Curley Mark Daugherty Jose De Jesus James DeStefano Richard Devens Lissette Diaz Jonathan "J.D." Donaldson William Drawdy James "Longfellow" Eades Jason "Burger" Ebert Jorge Escoda Robert Flockerzi Kenny Fougne Harvey "Bush Hog" Foxworth Steve Fritz* Alpha Gaines Alicia Gamez Adam Gawrysh* Max George Amy German Tracey Glymph Abetheliz Gonzalez Jacqueline Gonzalez Nancy Gooch Bill Gotimer, Jr. Robbie Green Alicia Guerrero Felix Guzman-Morales Steve Halter* Natasha Hammill William "Bubba" Hanson Jennifer Harvey* Ralph Heim* Richard "Animal" Henderson Nydia Hernandez Emily Hill Melissa Hill Brenda Horan Dave Hudgens* Nina Imhof Valerie Jannetti Gerard "Bamm-Bamm" Jean Julius "Gearhead" Jensen William Jinker Julie Johns Ann Jones Dean Joslyn Fred Key Alan Knoll Kenneth "Leaky Faucet" Knutson Loraine Labarca Rock "Pillsbury" Labella Calvin "Baby Boy" Lanier Pablo Lara Robert Lassen Karin Lauer Lynette Lawson Mike Lealamanua Chad Lee Charles "Possum" Lee William "Tenny Shoe" Lee David "Handyman" Leino* Cathy Leon Ted "War Wagon" Logue Ronald Macomber Mike Madden Jose Maldonado Keila Maldonado Marie Lee Martin Zariza Martinez Monica Masters Nathaniel "Prayer Warrior" Mathis Arch McCarver John McCown Jim McDonald Manuel McGinn* Torri McKinnies Malcom McLean, Jr. Joyce Mehlhoff Gregory Mendenhall Jose Mendez Robert Menser William "Bill" Mericle Terry Mickey Bernard "Bernie Mac" Middleton Aaron "A-1" Miller Alan Miller Teronica Miller Mauricio Miranda Dave Miskowiec Brantley Mitchell John Mitchell Jose Montalvo Ralph Montgomery David Moore Carlos "Mudflap" Morales Jose Morales Ed Morley* Lorraine Morrow Anne O'Donnell* Gilberto Olivo Reynaldo Ortega Nelson Padro Thomas Page Sandee Parrish David Perala Carmen Perez Edgar Perez Curtis "Blue Knight" Perry Keith Perry Seth "Lost" Peters Patrick "Highwayman" Pike Angie Pinilla* Miguel Planas Salvador Pons Charles "Chuck" Porter Dan "Junkyard Dog" Powe Ken "Honky Tonk" Powe Caroline Price Rafael Quezada Arnaldo Quintana Santos Ramirez Nicole Reed Stacy Reese Miguel Reyes-Rodriguez SaBrina Richard Chandra Riley Herbie Rios* Jeff Rivera* Theresa Robertson Julio Rodriguez Rosa Rodriguez Samuel Rodriguez Wanda Rodriguez Ronald "Roger Rabbit" Rogers Willie "Wee Willie" Rogers Angel Roman Roberto "Wolfman" Rosa Kermit Rosado Raul Rosado-Reyes Charles "Chuck" Russell Scott Russell Gary Salvador* Marilyn Samuelson Salvador Sanchez James Sanders Ruben Santiago Ronnie Sapp* Douglas Schimmel Ikethia Scott Kerry Shugart Don "Shade Tree" Simpson* Susan Sontag Danielle Spence Mike Stein Allen Stevens Jill Steward Darrell "Traveller" Stewart Gary Stewart Richard Stewart Jeff Stout Mark Tanner* Aimee Taule Ashley Teate Jay Thomassen* Shirley Thornton* Robert "Slep Rock" Threatt Susan Tolman Jamie Torres Ronald "Scarecrow" Trezza Robbie van Dijk* Cheryl Van Houten Nickel Van Reesma Shamila Vargas Victor Vargas Pam Varnado* Jocelyn Vega Charles "Nite Train" Vollmer Frank "Yardbird" Ward David "Steamroller" Warren Wayne "Redbeard" Webster Nathan Wickline Amanda Williams Charles "Florida Fox" Williams Howard Wilson Jill Winkle Robert "PA Kid" Winkle Robert "Bobcat" Wright Paul Yagins

Trailer Bridge, Inc.

10405 New Berlin Road East, Jacksonville, FL 32226

(800) 554-1589

(904) 751-7100

Fax (904) 751-7444

www.trailerbridge.com

Trailer Bridge, Inc. is an Equal Opportunity/Affirmative Action Employer