INTERNATIONAL SHIPHOLDING CORP
Form 10-Q
November 07, 2014

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

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

For the transition period from . . . . to . . . .
Commission File No. 001-10852

International Shipholding Corporation
(Exact name of registrant as specified in its charter)

Delaware	36-2989662
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11 North Water Street, Suite 18290, Mobile, Alabama	36602
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (251) 243-9100

Former name, former address and former fiscal year, if changed since last report:

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, $1 par value. . . . . 7,301,657 shares outstanding as of September 30, 2014

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INTERNATIONAL SHIPHOLDING CORPORATION

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In this report, the terms “we,” “us,” “our” and the “Company” refer to International Shipholding Corporation and its subsidiaries. In addition, the term “Notes” means the Notes to our Consolidated Financial Statements contained elsewhere in this report, the term “PCTC” means a Pure Car Truck Carrier vessel, the term “FSI” refers to Frascati Shops, Inc., the term “UOS” refers to United Ocean Services, LLC, and the term “SEC” means the U.S. Securities and Exchange Commission.

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PART I – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

INTERNATIONAL SHIPHOLDING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(All Amounts in Thousands Except Share Data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues	$ 74,410	$ 77,938	$ 223,856	$ 233,959
Operating Expenses:				
Voyage Expenses	60,600	63,311	184,499	191,262
Intangible Amortization	1,029	1,521	3,087	4,669
Vessel Depreciation	6,290	6,130	19,528	17,705
Other Depreciation	18	17	54	51
Administrative and General Expenses	5,398	4,994	16,209	16,597
Loss on Sale of Other Assets	1	6	1	6
Total Operating Expenses	73,336	75,979	223,378	230,290
Operating Income	1,074	1,959	478	3,669
Interest and Other:				
Interest Expense	3,115	3,109	7,301	7,387
Derivative (Gain) Loss	(89)	768	(57)	486
Other Income from Vessel Financing	(456)	(522)	(1,417)	(1,616)
Investment Income	(278)	(9)	(302)	(91)
Foreign Exchange Loss (Gain)	30	457	123	(4,560)

	2,322	3,803	5,648	1,606
(Loss) Income Before Benefit for Income Taxes and Equity in Net Income of Unconsolidated Entities	(1,248)	(1,844)	(5,170)	2,063
Provision for Income Taxes:	1,141	18	912	68
Equity in Net Loss of Unconsolidated Entities (Net of Applicable Taxes)	(176)	(360)	(364)	(705)
Net (Loss) Income	$ (2,565)	$ (2,222)	$ (6,446)	$ 1,290
Preferred Stock Dividends	1,305	1,076	3,916	1,920
Net (Loss) Income Available to Common Stockholders	$ (3,870)	$ (3,298)	$ (10,362)	$ (630)
Basic Earnings Per Common Share:	$ (0.53)	$ (0.46)	$ (1.42)	$ (0.09)
Diluted Earnings Per Common Share:	$ (0.53)	$ (0.46)	$ (1.42)	$ (0.09)
Weighted Average Shares of Common Stock Outstanding:				
Basic	7,301,657	7,248,350	7,278,695	7,233,807
Diluted	7,301,657	7,248,350	7,278,695	7,233,807
Common Stock Dividends Per Share	$ 0.25	$ 0.25	$ 0.75	$ 0.75

The accompanying notes are an integral part of these statements.

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INTERNATIONAL SHIPHOLDING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(All Amounts in Thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net (Loss) Income	$ (2,565)	$ (2,222)	$ (6,446)	$ 1,290
Other Comprehensive Income (Loss):				
Unrealized Foreign Currency Translation Loss	(84)	(307)	(67)	(61)
Change in Fair Value of Derivatives	457	780	422	2,289
Change in Funded Status of Defined Benefit Plan	74	306	225	927
Comprehensive (Loss) Income	$ (2,118)	$ (1,443)	$ (5,866)	$ 4,445

The accompanying notes are an integral part of these statements.

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INTERNATIONAL SHIPHOLDING CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(All Amounts in Thousands Except Shares)

(Unaudited)

ASSETS	September 30, 2014	December 31, 2013
Cash and Cash Equivalents	$ 21,024	$ 20,010
Restricted Cash	1,387	8,499
Accounts Receivable, Net of Allowance for Doubtful Accounts	39,751	30,417
Prepaid Expenses	10,518	8,493
Deferred Tax Asset	633	3,084
Other Current Assets	1,038	1,029
Notes Receivable	3,204	3,987
Material and Supplies Inventory	11,243	11,322
Total Current Assets	88,798	86,841
Investment in Unconsolidated Entities	22,472	14,818
Vessels, Property, and Other Equipment, at Cost:		
Vessels	630,090	582,416
Building	1,354	1,211
Land	623	623
Leasehold Improvements	26,348	26,348
Construction in Progress	4,867	2,673
Furniture and Equipment	12,272	11,727
	675,554	624,998
Less - Accumulated Depreciation	(196,302)	(175,106)
	479,252	449,892
Other Assets:		
Deferred Charges, Net of Accumulated Amortization	25,984	29,309
Intangible Assets, Net of Accumulated Amortization	25,669	28,756
Due from Related Parties	2,083	1,974

Notes Receivable	25,256	27,659
Goodwill	2,735	2,735
Deferred Tax Asset	8,866	7,325
Other	4,940	7,383
	95,533	105,141
TOTAL ASSETS	$ 686,055	$ 656,692

The accompanying notes are an integral part of these statements.

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INTERNATIONAL SHIPHOLDING CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

(All Amounts in Thousands Except Shares)

(Unaudited)

	September 30, 2014	December 31, 2013
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current Maturities of Long-Term Debt	$ 23,347	$ 19,213
Accounts Payable and Other Accrued Expenses	54,901	51,220
Total Current Liabilities	78,248	70,433
Long-Term Debt, Less Current Maturities	230,156	179,016
Other Long-Term Liabilities:		
Incentive Obligation	8,872	5,397
Other	47,046	65,306
TOTAL LIABILITIES	364,322	320,152
Stockholders' Equity:		
Preferred Stock, $1.00 Par Value, 9.50% Series A Cumulative Perpetual Preferred Stock, 650,000 Shares Authorized, 250,000 Shares Issued and Outstanding at September 30, 2014 and December 31, 2013, Respectively	250	250
Preferred Stock, $1.00 Par Value, 9.00% Series B Cumulative Perpetual Preferred Stock, 350,000 Shares Authorized, 316,250 Shares Issued and Outstanding at September 30, 2014 and December 31, 2013, Respectively	316	316
Common Stock, $1.00 Par Value, 20,000,000 Shares Authorized, 7,301,657 and 7,203,935 Shares Issued and Outstanding at September 30, 2014 and December 31, 2013, Respectively	8,727	8,692
Additional Paid-In Capital	140,624	140,115
Retained Earnings	210,549	226,480
Treasury Stock, 1,388,078 Shares at September 30, 2014 and 1,388,066 shares at December 31, 2013	(25,403)	(25,403)

Accumulated Other Comprehensive Loss	(13,330)	(13,910)
TOTAL STOCKHOLDERS' EQUITY	321,733	336,540
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 686,055	$ 656,692

The accompanying notes are in an integral part of these statements.

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INTERNATIONAL SHIPHOLDING CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(All Amounts in Thousands Except Shares)

(Unaudited)

	Nine Months Ended September 30, 2014	2013
Cash Flows from Operating Activities:		
Net (Loss) Income	$ (6,446)	$ 1,290
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by Operating Activities:		
Depreciation	20,073	18,068
Amortization of Deferred Charges	14,615	7,525
Amortization of Intangible Assets	3,087	4,669
Deferred Tax	912	-
Non-Cash Share Based Compensation	1,185	1,023
Equity in Net Loss of Unconsolidated Entities	364	705
Loss on Sale of Assets	1	6
Loss (Gain) on Foreign Currency Exchange	123	(4,560)
Changes in:		
Deferred Drydocking Charges	(7,037)	(14,445)
Accounts Receivable	(5,210)	3,415
Inventories and Other Current Assets	(2,703)	257
Other Assets	(961)	760
Accounts Payable and Accrued Liabilities	1,748	2,375
Other Long-Term Liabilities	(4,426)	4,561
Net Cash Provided by Operating Activities	15,325	25,649
Cash Flows from Investing Activities:		
Principal payments received under Direct Financing Leases	-	558
Capital Improvements to Vessels and Other Assets	(64,710)	(27,963)
Investment in Unconsolidated Entities	(7,887)	(500)
Net Decrease (Increase) in Restricted Cash Account	9,112	(7,825)
Acquisition of United Ocean Services, LLC, net of cash acquired	-	(2,475)

Proceeds from Payments on Note Receivables	3,186	4,895
Net Cash Used In Investing Activities	(60,299)	(33,310)
Cash Flows from Financing Activities:		
Issuance of Preferred Stock	-	53,336
Proceeds from Issuance of Debt	94,545	67,000
Repayment of Debt	(38,190)	(94,788)
Additions to Deferred Financing Charges	(987)	(2,005)
Dividends Paid	(9,380)	(6,526)
Net Cash Provided by Financing Activities	45,988	17,017
Net Increase in Cash and Cash Equivalents	1,014	9,356
Cash and Cash Equivalents at Beginning of Period	20,010	19,868
Cash and Cash Equivalents at End of Period	$ 21,024	$ 29,224
Supplemental Disclosure of non-cash investing activities		
Additions to vessels, property, plant and equipment included in accounts payable and other accrued expenses	$ 1,434	$ 2,453

The accompanying notes are an integral part of these statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

Note 1. Basis of Preparation

We operate a diversified fleet of U.S. and International flag vessels that provide international and domestic maritime transportation services. For additional information on our business, see Item 2 of Part I of this report.

We have prepared the accompanying unaudited interim financial statements pursuant to the rules and regulations of the Securities and Exchange Commission, and as permitted hereunder, we have omitted certain information and footnote disclosures required by U.S. Generally Accepted Accounting Principles (GAAP) for complete financial statements. We suggest that you read these interim statements in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013. The condensed consolidated balance sheet as of December 31, 2013 included in this report has been derived from the audited financial statements at that date.

The foregoing 2014 interim results are not necessarily indicative of the results of operations for the full year 2014. Management believes that it has made all adjustments necessary, consisting only of normal recurring adjustments, for a fair statement of the information presented.

Our policy is to consolidate each subsidiary in which we hold a greater than 50% voting interest or otherwise control its operating and financial activities. We use the equity method to account for investments in entities in which we hold a 20% to 50% voting or economic interest and have the ability to exercise significant influence over operating and financial activities, and the cost method to account for investments in entities in which we hold a less than 20% voting interest and in which we cannot exercise significant influence over operating and financial activities.

Revenues and expenses relating to our Rail-Ferry, Jones Act, and Specialty segments' voyages are recorded over the duration of the voyage based on percentage of completion. Our voyage expenses are estimated at the beginning of the voyages based on historical actual costs or from industry sources familiar with those types of charges. As the voyage progresses, these estimated costs are revised with actual charges and timely adjustments are made. Based on our prior experience, we believe there is not a material difference between recording estimated expenses ratably over the voyage versus recording expenses as incurred. Revenues and expenses relating to our other vessels' voyages, which require limited estimates or assumptions, are recorded when earned or incurred during the reporting period.

We have eliminated all significant intercompany balances, accounts, and transactions in consolidation.

Certain amounts in the condensed consolidated financial statements for prior periods have been reclassified to conform to the current period presentation. Such reclassifications primarily relate to a related party receivable that was reclassified as other current assets versus note receivable in the balance sheet.

Note 2. Out of Period Adjustments

During 2014, an error was identified related to the cutoff of voyage revenues between the first and second quarter of 2014 which would have resulted in an increase in revenue and an increase in voyage expenses for the quarter ended March 31, 2014. During the three months ended June 30, 2014 we recorded an out of period adjustment to correct this error. The impact of correcting this error resulted in an increase to pre-tax income of $108,000 and a decrease to net loss by $61,000. We evaluated the impact of this error on the results of our previously issued financial statements for the first quarter of 2014 and concluded that the impact was not

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material. We also evaluated the impact of correcting the error in the second quarter of 2014 and concluded that the impact was not material.

Note 3. Operating Segments

Our six operating segments, Jones Act, Pure Car Truck Carriers, Dry Bulk Carriers, Rail-Ferry, Specialty Contracts, and Other are distinguished primarily by the market in which the segment assets are deployed, the physical characteristics of those assets, and the type of services provided to our customers. We report in the Other category the results of several of our subsidiaries that provide ship and cargo charter brokerage, ship management services and agency services to our operating subsidiaries as well as third party customers. Also included in the Other category are corporate related items, results of insignificant operations, and income and expense items not allocated to the other reportable segments. We manage each reportable segment separately, as each requires different resources depending on the nature of the contract or terms under which the vessels within the segment operate.

We allocate interest expense to the segments in proportion to the fixed assets (defined as the carrying value of vessels, property, and other equipment) within each segment. Additionally, we include the results of two of our unconsolidated entities, Oslo Bulk, AS and Oslo Bulk Holding Pte. Ltd, in our Dry Bulk Carriers segment, and the results of another unconsolidated entity, Terminales Transgolfo, S.A. de C.V., to our Rail-Ferry segment. The results of our remaining unconsolidated entities, Saltholmen Shipping Ltd (a company owning two Chemical Tankers) and Brattholmen Shipping Ltd (a company owning two Asphalt Tankers), are included in our Specialty Contracts segment. We do not allocate to our segments; (i) administrative and general expenses, (ii) (loss) gain on sale of other assets, (iii) derivative (income) loss, (iv) income taxes, (v) loss (gain) on sale of investment, (vi) other income from vessel financing, (vii) investment income, and (viii) foreign exchange loss (gain). Intersegment revenues are based on market prices and include revenues earned by our subsidiaries that provide specialized services to our operating companies. Finally, we use “gross voyage profit” as the primary measure for our segments’ profitability to assist in monitoring and managing our business.

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The following table presents information about segment profit and loss for the three months ended September 30, 2014 and 2013:

RESULTS OF OPERATIONS

three MONTHS ENDED September 30, 2014

COMPARED TO THE three MONTHS ENDED September 30, 2013

(All Amounts in Thousands)	Jones Act	Pure Car Truck Carriers	Dry Bulk Carriers	Rail-Ferry	Specialty Contracts	Other	Total
2014							
Fixed Revenue	$ 32,101	$ 15,290	$ 1,910	$ -	$ 9,462	$ -	$ 58,763
Variable Revenue	-	3,520	1,786	9,435	1,497	(591)	15,647
Total Revenue from External Customers	32,101	18,810	3,696	9,435	10,959	(591)	74,410
Intersegment Revenues(Eliminated)	-	-	-	-	-	(4,321)	(4,321)
Intersegment Expenses Eliminated	-	-	-	-	-	4,321	4,321
Voyage Expenses	25,340	16,199	2,933	7,940	10,351	(1,134)	61,629
Loss (Income) of Unconsolidated Entities	-	-	373	81	(278)	-	176
Gross Voyage Profit	$ 6,761	$ 2,611	$ 390	$ 1,414	$ 886	$ 543	$ 12,605
Gross Voyage Profit Margin	21 %	14 %	11 %	15 %	8 %	92 %	17 %
2013							
Fixed Revenue	$ 31,003	$ 14,843	$ 919	$ -	$ 7,928	$ -	$ 54,693
Variable Revenue	-	7,990	4,634	10,419	227	(25)	23,245
Total Revenue from External Customers	31,003	22,833	5,553	10,419	8,155	(25)	77,938
Intersegment Revenues (Eliminated)	-	-	-	-	-	(5,519)	(5,519)
	-	-	-	-	-	5,519	5,519

Intersegment Expenses Eliminated							
Voyage Expenses	24,400	19,728	4,801	8,494	7,602	(193)	64,832
Loss of Unconsolidated Entities	-	-	315	45	-	-	360
Gross Voyage Profit	$ 6,603	$ 3,105	$ 437	$ 1,880	$ 553	$ 168	$ 12,746
Gross Voyage Profit Margin	21 %	14 %	8 %	18 %	7 %	(672) %	16 %

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The following table presents information about segment profit and loss for the nine months ended September 30, 2014 and 2013:

RESULTS OF OPERATIONS

NINE MONTHS ENDED September 30, 2014

COMPARED TO THE NINE MONTHS ENDED September 30, 2013

(All Amounts in Thousands)	Jones Act	Pure Car Truck Carriers	Dry Bulk Carriers	Rail-Ferry	Specialty Contracts	Other	Total
2014							
Fixed Revenue	$ 94,408	$ 46,200	$ 5,194	$ -	$ 26,650	$ -	$ 172,452
Variable Revenue	-	11,319	8,881	27,101	4,624	(521)	51,404
Total Revenue from External Customers	94,408	57,519	14,075	27,101	31,274	(521)	223,856
Intersegment Revenues(Eliminated)	-	-	-	-	-	(12,963)	(12,963)
Intersegment Expenses Eliminated	-	-	-	-	-	12,963	12,963
Voyage Expenses	77,370	50,355	9,992	22,874	28,826	(1,831)	187,586
Loss (Income) of Unconsolidated Entities	-	-	542	148	(326)	-	364
Gross Voyage Profit	$ 17,038	$ 7,164	$ 3,541	$ 4,079	$ 2,774	$ 1,310	$ 35,906
Gross Voyage Profit Margin	18 %	12 %	25 %	15 %	9 %	(252) %	16 %
2013							
Fixed Revenue	$ 90,581	$ 48,043	$ 2,457	$ -	$ 21,519	$ -	$ 162,600
Variable Revenue	-	27,755	12,183	29,115	2,253	53	71,359
Total Revenue from External Customers	90,581	75,798	14,640	29,115	23,772	53	233,959
Intersegment Revenues (Eliminated)	-	-	-	-	-	(16,557)	(16,557)
	-	-	-	-	-	16,557	16,557

Intersegment Expenses Eliminated							
Voyage Expenses	72,106	63,574	14,688	23,894	22,100	(431)	195,931
Loss of Unconsolidated Entities	-	-	653	52	-	-	705
Gross Voyage Profit (Loss)	$ 18,475	$ 12,224	$ (701)	$ 5,169	$ 1,672	$ 484	$ 37,323
Gross Voyage Profit Margin	20 %	16 %	(5) %	18 %	7 %	913 %	16 %

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The following table is a reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements:

	Three Months Ended September 30,		Year to date as of September 30,	
(All Amounts in Thousands)	2014	2013	2014	2013
Revenues	$ 74,410	$ 77,938	$ 223,856	$ 233,959
Voyage Expenses*	61,629	64,832	187,586	195,931
Net Loss of Unconsolidated Entities	176	360	364	705
Gross Voyage Profit	12,605	12,746	35,906	37,323
Vessel Depreciation	6,290	6,130	19,528	17,705
Other Depreciation	18	17	54	51
Gross Profit	6,297	6,599	16,324	19,567
Other Operating Expenses:				
Administrative and General Expenses	5,398	4,994	16,209	16,597
Loss on Sale of Other Assets	1	6	1	6
Less: Net Loss of Unconsolidated Entities	(176)	(360)	(364)	(705)
Total Other Operating Expenses	5,223	4,640	15,846	15,898
Operating Income	$ 1,074	$ 1,959	$ 478	$ 3,669

* Includes Intangible Amortization

Note 4. Inventory

Spare parts and warehouse inventories are stated at the lower of cost or market based on the first-in, first-out method of accounting. Our fuel inventory is based on the average inventory method of accounting. Our inventory consists of three major classes, the break out of which is included in the following table:

(All Amounts in Thousands)	September 30,	December 31,

Inventory Classes	2014	2013
Spare Parts Inventory	$ 4,195	$ 3,968
Fuel Inventory	4,547	4,663
Warehouse Inventory	2,501	2,691
	$ 11,243	$ 11,322

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Note 5. Investment in Unconsolidated Entities

The following table summarizes our equity in net loss of unconsolidated entities for the three and nine months ended September 30, 2014 and 2013, respectively.

	Three Months ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
(All Amounts in Thousands)				
Oslo Bulk, AS	$ (55)	$ (193)	$ (142)	$ (290)
Oslo Bulk Holding Pte, Ltd	(318)	(122)	(400)	(363)
Terminales Transgolfo, S . A . D E C . V .	(81)	(45)	(148)	(52)
Brattholmen Shipping, Ltd	30	-	30	-
Saltholmen Shipping, Ltd	248	-	296	-
Total Equity in Net Loss of Unconsolidated Entities	$ (176)	$ (360)	$ (364)	$ (705)

These investments have been accounted for under the equity method and our portion of their earnings or losses is presented net of any applicable taxes on our condensed consolidated statements of income (loss) under the caption: "Equity in Net Loss of Unconsolidated Entities (Net of Applicable Taxes)."

During 2014, we invested approximately $5.9 million cash and $2.0 million cash to acquire a 30% interest in Saltholmen Shipping Ltd and Brattholmen Shipping Ltd, respectively. Brattholmen Shipping Ltd was organized to purchase and operate two Asphalt Tankers. Saltholmen Shipping Ltd was organized to purchase and operate two newbuilding Chemical Tankers. All four vessels were immediately employed on long-term bareboat charters.

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Note 6. Goodwill, Other Intangible Assets, and Deferred Charges

Amortization expense for intangible assets was approximately $1.0 million and $1.5 million for the three months ended September 30, 2014 and 2013, respectively. Amortization expense for deferred charges was approximately $5.7 million and $3.3 million for the three months ended September 30, 2014 and 2013, respectively. The following table presents the rollforward of goodwill, other intangible assets, and deferred charges for the three months ended September 30, 2014:

(All Amounts in Thousands)

	Amortization Period	Balance at June 30, 2014	Additions	Amortization	Non-Cash Additions	Balance at September 30, 2014
Indefinite Life Intangibles						
Goodwill	n/a	$ 2,735	$ -	$ -	$ -	$ 2,735
Total Indefinite Life Intangibles		$ 2,735	$ -	$ -	$ -	$ 2,735
Definite Life Intangibles						
Trade names - FSI	240 months	$ 58	$ -	$ -	$ -	$ 58
Trade names - UOS	96 months	1,449	-	(57)	-	1,392
Customer Relationships - FSI	240 months	386	-	(6)	-	380
Customer Relationships - UOS	96 months	24,805	-	(966)	-	23,839
Total Definite Life Intangibles		$ 26,698	$ -	$ (1,029)	$ -	$ 25,669
Deferred Charges						
Drydocking Costs	various	$ 22,284	$ 2,940	$ (5,154)	$ 2,520	$ 22,590
Financing Charges and Other	various	2,991	619	(563)	347	3,394
Total Deferred Charges		$ 25,275	$ 3,559	$ (5,717)	$ 2,867	$ 25,984

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Amortization expense for intangible assets was approximately $3.1 million and $4.6 million for the nine months ended September 30, 2014 and 2013, respectively. Amortization expense for deferred charges was approximately $14.6 million and $7.5 million for the nine months ended September 30, 2014 and 2013, respectively. The following table presents the rollforward of goodwill, other intangible assets, and deferred charges for the nine months ended September 30, 2014:

(All Amounts in Thousands)

	Amortization Period	Balance at December 31, 2013	Additions	Amortization	Non-Cash Additions	Balance at September 30, 2014
Indefinite Life Intangibles						
Goodwill	n/a	$ 2,735	$ -	$ -	$ -	$ 2,735
Total Indefinite Life Intangibles		$ 2,735	$ -	$ -	$ -	$ 2,735
Definite Life Intangibles						
Trade names - FSI	240 months	$ 60	$ -	$ (2)	$ -	$ 58
Trade names - UOS	96 months	1,561	-	(169)	-	1,392
Customer Relationships - FSI	240 months	396	-	(16)	-	380
Customer Relationships - UOS	96 months	26,739	-	(2,900)	-	23,839
Total Definite Life Intangibles		$ 28,756	$ -	$ (3,087)	$ -	$ 25,669
Deferred Charges						
Drydocking Costs	various	$ 26,428	$ 7,038	$ (13,745)	$ 2,869	$ 22,590
Financing Charges and Other	various	2,881	1,034	(868)	347	3,394
Total Deferred Charges		$ 29,309	$ 8,072	$ (14,613)	$ 3,216	$ 25,984

Note 7. Income Taxes

We recorded a tax provision of $912,000 on our $5.2 million of loss before taxes and equity in net loss of unconsolidated entities for the nine months ended September 30, 2014. For the nine months ended September 30, 2013, we recorded an income tax provision of $68,000 on our $2.1 million of income before taxes and equity in net loss of unconsolidated entities. In general, the company's interim tax provision for the nine months ended September 30, 2014, is determined by applying an estimated annual effective tax rate to the year to date earnings subject to U.S. income taxes, which are primarily our U.S. flag Jones Act results from operations. Included in both our 2014 and 2013 tax provisions are taxes on our qualifying U.S. flag operations, which continue to be taxed under a "tonnage tax" regime rather than under the normal U.S. corporate income tax regime.

For further information on certain tax laws and elections, see our Annual Report on Form 10-K filed for the year ended December 31, 2013, including "Note J - Income Taxes" to the consolidated financial statements included therein.

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Note 8. Commitments and Contingencies

Commitments

Leases

On August 26, 2014, we reacquired a US flagged PCTC that we had previously been operating under a sale-leaseback arrangement. The vessel purchase was financed through conventional bank financing. For more information, see Note 21 – Early Lease Buy Out. For more information about our leases, please see our Annual Report on Form 10-K for the year ended December 31, 2013.

Investment in newbuilding Handysize Dry Bulk Carrier

During the third quarter of 2014, we were notified of the bankruptcy of a ship builder that had agreed to build a new Handysize Dry Bulk Carrier for an entity in which we are an investor. In accordance with the terms of the shipbuilding contract, the contract was terminated and all deposits to date are to be refunded by the guarantor bank within thirty days of notice. As of September 30, 2014, we reclassified our $3.8 million deposit towards the purchase price of this vessel plus interest of $300,000 from construction in progress to a current receivable.   We believe the $4.1 million to be collectible within twelve months of September 30, 2014.

Letters of Credit

As of September 30, 2014, we have approximately $9.0 million in outstanding letters of credit, $8.0 million of which were issued under our revolving credit facility.

Contingencies

On June 26, 2014, U.S. Customs and Border Protection (CBP) issued pre-penalty notifications to us and two of our affiliates alleging failure to properly report the importation of spare parts incorporated into our vessels covering the period April 2008 through September 2012. CBP's proposed duty is approximately $2.1 million along with a proposed penalty on the assessment of approximately $8.4 million. The basis of CBP's assessment is that the U. S. Government experienced a loss of revenue consisting of the difference between the government's ad valorem duty and the consumption entry duty actually paid by us. On September 24, 2014, we submitted our formal response to CBP's claim and denied violating the applicable U.S. statute or regulations.   We have not accrued a liability for this matter because the case is ongoing and we do not consider it probable that we will incur a loss.

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Note 9. Employee Benefit Plans

The following table provides the components of net periodic benefit cost for our pension plan and postretirement benefits plan for the three months ended September 30, 2014 and 2013:

(All Amounts in Thousands)	Pension Plan Three Months Ended September 30,		Postretirement Benefits Three Months Ended September 30,	
Components of net periodic benefit cost:	2014	2013	2014	2013
Service cost	$ 155	$ 124	$ 4	$ 6
Interest cost	381	330	144	119
Expected return on plan assets	(571)	(560)	-	-
Amortization of prior service cost	(1)	(1)	25	25
Amortization of Net Loss	32	220	44	63
Net periodic benefit cost (benefit)	$ (4)	$ 113	$ 217	$ 213

The following table provides the components of net periodic benefit cost for our pension plan and postretirement benefits plan for the nine months ended September 30, 2014 and 2013:

(All Amounts in Thousands)	Pension Plan Nine Months Ended September 30,		Postretirement Benefits Nine Months Ended September 30,	
Components of net periodic benefit cost:	2014	2013	2014	2013
Service cost	$ 464	$ 504	$ 11	$ 18
Interest cost	1,143	1,002	433	357
Expected return on plan assets	(1,797)	(1,674)	-	-
Amortization of prior service cost	(2)	(3)	75	75
Amortization of Net Loss	96	666	131	189
Net periodic benefit cost (benefit)	$ (96)	$ 495	$ 650	$ 639

We contributed $450,000 to our pension plan during the nine months ended September 30, 2014. We contributed another $150,000 in October 2014, which we expect to be the final payment for 2014.

Note 10. Derivative Instruments

We use derivative instruments from time to time to manage certain foreign currency and interest rate risk exposures. We do not use derivative instruments for speculative trading purposes. All derivative instruments are recorded on the balance sheet at fair value. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded through other comprehensive income and reclassified to earnings when the derivative instrument is settled. Any ineffective portion of changes in the fair value of the derivative is reported in earnings. None of our derivative contracts contain credit-risk related contingent features that would require us to settle the contract upon the occurrence of such contingency. However, all of our contracts contain clauses specifying events of default under specified circumstances, including failure to pay, breach of agreement, default under the specific agreement to which the hedge relates, bankruptcy, misrepresentation and the occurrence of certain transactions. The remedy for default is settlement in entirety or payment of the fair value of the contracts, which was $5.4 million in the aggregate for all of our contracts as of September 30, 2014. The unrealized loss related to our derivative instruments included in accumulated other comprehensive loss, net of taxes, was $3.9 million and $4.3 million as of September 30, 2014 and December 31, 2013, respectively.

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The notional and fair value amounts of our derivative instruments as of September 30, 2014 were as follows:

		Asset Derivatives 2014		Liability Derivatives 2014	
(All Amounts in Thousands)	Current Notional Amount	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest Rate Swaps - L/T*	$ 42,000		$ -	Other Liabilities	$ (5,262)
Foreign Exchange Contracts	31,231	Other Current Assets	7	Current Liabilities	$ (115)
Total Derivatives designated as hedging instruments	$ 73,231		$ 7		$ ($5,377)

*We have outstanding a variable-to-fixed interest rate swap with respect to a Yen-based facility for the financing of a PCTC delivered in March 2010. The notional amount under this contract is $42.0 million (based on a Yen to USD exchange rate of 109.65 as of September 30, 2014). With the bank exercising its option to reduce the underlying Yen loan from 80% to 65% funding of the vessel's delivery cost, the 15% reduction represents the ineffective portion of this swap, which consists of the portion of the derivative instrument that is no longer supported by underlying borrowings. The change in fair value related to the ineffective portion of this swap is reflected in our statement of income (loss) for the third quarter of 2014 as an $89,000 gain. The fair value balance as of September 30, 2014, includes a negative $461,000 balance related to an interest rate swap associated with our 25% investment in Oslo Bulk AS.

The effect of derivative instruments designated as cash flow hedges on our condensed consolidated statement of income (loss) for the nine months ended September 30, 2014 were as follows:

(All Amounts in Thousands)	Gain(Loss) Recognized in OCI*	Location of Gain(Loss) Reclassified from AOCL** to Income	Amount of Gain(Loss) Reclassified from AOCL to Income	Gain/(Loss) Recognized in Income from Ineffective portion
	2014		2014	2014

Interest Rate Swaps	$ 446	Interest Expense	$ 1,048	$ 57
Foreign Exchange Contracts	(24)	Other Revenues	116	-
Total	$ 422		$ 1,164	$ 57

* Other Comprehensive (Loss) Income
**Accumulated Other Comprehensive Loss

Interest Rate Swap Agreements

From time to time, we enter into interest rate swap agreements to manage well-defined interest rate risks. We record the fair value of the interest rate swap as an asset or liability on the balance sheet. Currently, our interest rate swap is accounted for as an effective cash flow hedge with the exception of a small portion of one contract. Accordingly, the effective portion of the change in fair value of the swap is recorded in Other Comprehensive Income (Loss).

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As of September 30, 2014, we had the following interest rate swap contract outstanding:

(All Amounts in Thousands)

Effective Date	Termination Date	Current Notional Amount*	Swap Rate	Type
3/15/2009	9/15/2020	$ 42,000	2.065 %	Variable-to-Fixed

*Notional amount converted from Yen at September 30, 2014 at a Yen to USD exchange rate of 109.65.

Foreign Currency Contracts

From time to time, we enter into foreign exchange contracts to hedge certain firm foreign currency purchase commitments. During 2013, we entered into two forward purchase contracts for Mexican Pesos, which expire in December 2014. The first was for Mexican Pesos of $1.2 million U.S. Dollar equivalents at an exchange rate of 13.6103 and the second was for Mexican Pesos of $600,000 U.S. Dollar equivalents at an exchange rate of 13.3003. In September 2014, we entered into a new forward purchase contract for Mexican Pesos, which expire in December 2015, for $900,000 U.S. Dollar equivalents at an exchange rate of 13.6007. Our Mexican Peso foreign exchange contracts cover 25% of our projected Peso exposure.

In December 2013, we entered into three forward foreign exchange contracts totaling approximately 3.3 billion Yen in order to limit our exposure to currency fluctuations and to provide us with the option to fully pay off our current Yen Facility at an approximate exchange rate of 102.53 to $1.00. One of these contracts was exercised in March 2014 and one was exercised in June 2014. The remaining July contract for 3.1 billion Yen was rolled forward under four contracts, one which expired in September 2014, two which coincide to the next two scheduled quarterly loan installments on December 2014 and March 2015 of approximately 85 million Yen each, and the remaining 2.885 billion Yen mature in April 2015. These remaining contracts allow us to limit our exposure to currency fluctuations. These remaining contracts and related agreements with the current lender give us the option to convert the Yen Facility into a USD-based Facility with the current lender at this fixed exchange rate, but otherwise on the same terms and with the same collateral. As of the date of this report, we have not yet decided if or when to exercise this loan conversion option. These particular forward foreign exchange contracts do not qualify for hedge accounting treatment and are thus accounted for as economic hedges.

The following table summarizes the current notional values as of September 30, 2014, of these contracts:

(All Amounts in Thousands)

Transaction Date	Type of Currency	Amount Available in Dollars	Effective Date	Expiration Date
Aug-13	Peso	$ 300	Jan-14	Dec-14
Nov-13	Peso	150	Jan-14	Dec-14
May-14	Yen	831	May-14	Dec-14
May-14	Yen	831	May-14	Mar-15
May-14	Yen	28,219	Jan-15	Dec-15
Sep-14	Peso	900	Jan-15	Dec-15
		$ 31,231		

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Note 11. Long-Term Debt

During the quarter ended September 30, 2014, we entered into a new loan agreement for the purchase of our 2007 PCTC that we had previously been operating under a sale-leaseback arrangement. Under this new loan agreement, we borrowed $38.5 million at a fixed rate of 4.35% with 24 quarterly payments with a final quarterly balloon payment of $20.7 million due on August 28, 2020. We incurred deferred loan costs in the amount of approximately $519,000 on the new loan. The new loan agreement requires us to pre-fund a portion of the upcoming quarterly scheduled debt payment currently constituting $387,000, which amount is classified as restricted cash on the balance sheet. See Note 21 – Early Lease Buy Back for more information on this transaction. During the quarter ended September 30, 2014, we also refinanced one of our 1999 PCTCs by paying off all $11.4 million of our bank debt owed to DnB ASA and borrowing $23.0 million under a new loan agreement with RBS Asset Finance. Under this new RBS loan agreement, we are obligated to pay variable interest at a 30 day Libor rate plus 2.75% and principal amortized over 84 monthly payments plus a final payment in August 2021. The new loan costs and the old unamortized loan costs of approximately $230,000 and $225,000, respectively, were expensed as losses on the debt extinguishment.

On September 24, 2013, we entered into a new senior secured Credit Facility. The Credit Facility matures on September 24, 2018 and includes a term loan facility in the principal amount of $45 million and a revolving credit facility ("LOC") in the principal amount up to $50 million. The LOC facility includes a $20 million sublimit for the issuance of standby letters of credit and a $5 million sublimit for swingline loans. The Credit Facility has four lenders, each with commitments ranging from $15 million to $30 million. The facility carries an accordion feature, whereby an additional term loan up to $50 million may be advanced at the sole discretion of the lenders subject to certain financial requirements.

In conjunction with entering into the new Credit Facility, we used the Credit Facility to refinance and retire all indebtedness outstanding under our previously-existing revolving credit facility originally scheduled to expire in September 2014 and our five-year variable rate financing agreement we entered into on November 30, 2012. As a result, both the old revolving credit facility and the old five-year variable rate facilities were terminated concurrently with the establishment of the new Credit Facility. The total amount paid off was approximately $46.6 million, with $21.0 million of this amount drawn from the new LOC. We categorized this refinancing as a debt extinguishment. The total fees associated with this facility included $1.4 million of bank fees and $148,000 of third party fees. All bank fees associated with the term loan facility were expensed during the third quarter of 2013, while all the fees associated with new LOC facility are being amortized over the term of the Credit Facility.

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As of the dates indicated below, long-term debt consisted of the following:

(All Amount in Thousands)		Interest Rate September 30,		December 31,		Maturity	Total Principal Due September 30,	December 31,
Description of Secured Debt		2014		2013		Date	2014	2013
Notes Payable – Variable Rate	(1)	2.7331	%	2.7451	%	2018	$ 12,884	$ 15,460
Notes Payable – Variable Rate		2.7346-2.7381	%	2.7400	%	2018	42,320	45,081
Notes Payable – Variable Rate		2.5040	%	2.5188	%	2017	9,704	11,383
Notes Payable – Variable Rate	(5)	2.9015	%	2.9181	%	2021	22,766	12,780
Notes Payable – Variable Rate	(1)	2.7326	%	2.7384	%	2018	15,708	16,651
Notes Payable – Variable Rate	(2)	3.6179	%	2.8964	%	2020	27,866	31,437
Notes Payable – Variable Rate	(3)	3.9900	%	3.7500	%	2018	42,750	44,437
Notes Payable – Fixed Rate	(4)	4.3500	%	N/A		2020	38,500	-
Note Payable - Mortgage	(6)						5	-
Line of Credit	(3)	3.9100	%	3.6700	%	2018	41,000	21,000
							253,503	198,229
		Less Current Maturities					(23,347)	(19,213)
							$ 230,156	$ 179,016

1. We entered into a variable rate financing agreement with ING Bank N.V., London branch on June 20, 2011 for a seven year facility to finance the acquisition of a Capesize vessel and a Supramax Bulk Carrier newbuilding, both of which we acquired a 100% interest in as a result of our acquisition of Dry Bulk. Pursuant to the terms of the facility, the lender agreed to provide a secured term loan facility divided into two tranches: Tranche A, fully drawn on June 20, 2011 in the amount of $24.1 million, and Tranche B, providing up to $23.3 million of additional credit. Under Tranche B, we drew $6.1 million in November 2011 and $12.7 million in January 2012.
2. We have an interest rate swap agreement in place to fix the interest rate on our variable rate note payable expiring in 2020 at 2.065%. After applicable margin adjustments, the effective interest rate on this note payable is fixed at 5.565%. The swap agreement is for the same term as the associated note payable.
3. As described in greater detail above, our senior secured Credit Facility matures on September 24, 2018 and includes a term loan facility in the principal amount of $45 million and a LOC in the principal amount up to $50 million. The LOC facility includes a $20 million sublimit for the issuance of standby letters of credit and a $5 million sublimit for swingline loans.
4. We entered into a fixed rate financing agreement with DVB Bank SE, on August 26, 2014 in the amount of $38.5 million, collateralized by our 2007 PCTC at a rate of 4.35% with 24 quarterly payments with a final balloon payment of $20.7 million in August 2020.
5. During August 2014, we paid off our $11.4 million loan with DnB ASA and obtained a new loan with RBS Asset Finance in the amount of $23.0 million collateralized by one of our 1999 PCTCs at a variable rate of 30 day Libor rate plus 2.75% payable in 84 monthly installments with the final payment due August 2021.
6.

Represents consideration given in connection with the proposed construction financing relating to the building we plan to renovate as our new New Orleans headquarters building.

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All of our principal credit agreements and operating leases require us to comply with various loan covenants, including financial covenants that require minimum levels of net worth, working capital, liquidity, and interest expense or fixed charges coverage and a maximum amount of debt leverage. During first quarter of 2014, there was concern that we would be unable to meet all of our required debt covenants for the quarter. During the period ending March 31, 2014, our principal senior secured lenders and two of our lessors agreed to, among other things, defer the date upon which we were required to attain a more stringent leverage ratio and increased liquidity from December 31, 2013 to June 30, 2014. Under these terms, we are required to maintain a consolidated leverage ratio of 4.50 to 1.0 through the fiscal quarter ending June 30, 2014, and 4.25 to 1.0 thereafter, and liquidity of not less than $15 million through June 30, 2014 and $20 million thereafter.

Effective September 30, 2014, certain of our lenders and lessors agreed at our request to adjust our covenants to less stringent levels to provide relief from the accounting impact of our above-described August 2014 vessel purchase and refinancing transactions (which, as noted in Note 21, required us to reduce our cost basis in the purchased vessel). Two of our lenders have elected to adjust our definition of EBITDA to disregard the impact of these transactions, while the remainder of our lenders and lessors agreed to amend the consolidated leverage and fixed charge coverage ratios as follows: we are required to maintain a consolidated leverage ratio of 5.00 to 1.0 through the fiscal quarter ending December 31, 2015, then 4.75 to 1.0 through the fiscal quarter ending March 31, 2016, then 4.50 to 1.0 beginning the quarter ending June 30, 2016 through the quarter ending September 30, 2016, and 4.25 to 1.0 thereafter and the minimum fixed charge coverage ratio we are required to maintain is 1.10 to 1.0 beginning with the quarter ending September 30, 2014 through the quarter ending December 31, 2014, 1.15 to 1.0 beginning with the quarter ending March 31, 2015 through the quarter ending December 31, 2015, 1/20 to 1.0 beginning with the quarter ending March 31, 2016 through the quarter ending June 30, 2016, and 1.25 to 1.0 thereafter (in each case as calculated under our amended debt agreements). Consequently, as of September 30, 2014, we were in compliance with all of our debt covenants.

Based on current conditions and our expectations that our performance will stabilize or improve marginally in the near term, we currently believe that we will be able to attain all of our financial covenants through the end of 2014, but we cannot assure you of this.

In addition to the restrictions under our new Credit Facility, certain of our loan agreements restrict the ability of our subsidiaries to dispose of collateralized assets or any other asset which is substantial in relation to our assets taken as a whole without the approval from the lender. We believe that we have consistently remained in compliance with this provision of these loan agreements.

Note 12. Other Long Term Liabilities

Other Long Term Liabilities for the period ending September 30, 2014 and December 31, 2013 were $47.0 million and $65.3 million, respectively.

(All Amounts in Thousands)	September 30, 2014	December 31, 2013
Deferred Gains, net of Amortization	$ 18,853	$ 34,009
Pension and Post Retirement	9,851	10,339
Alabama Lease Incentive	6,026	6,887
Insurance Reserves	4,591	5,521
Derivatives	5,262	4,412
Other	2,463	4,138
	$ 47,046	$ 65,306

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Note 13. Stock Based Compensation

We grant stock-based compensation in the form of (1) unrestricted stock awards to our outside directors and (2) restricted stock units ("RSUs") to key executive personnel. These awards are granted under the International Shipholding Corporation 2011 Stock Incentive Plan (the "Plan"), which was approved by our stockholders in 2011.

Unrestricted Stock Awards

On January 15, 2013, we granted our outside directors an aggregate of 6,708 unrestricted shares of common stock from the Plan. On January 14, 2014, we granted our outside directors an aggregate of 4,470 unrestricted shares of common stock from the Plan. For the nine months ended September 30, 2014 and 2013, our net income reflected approximately $90,000 of stock-based compensation expense charges related to these issuances, which had no effect on either basic or diluted earnings per share.

A summary of the activity for stock awards during the nine months ended September 30, 2014, is as follows:

	2014 Shares	Weighted Average Fair Value Per Share
Non-vested - December 31, 2013	-	-
Unrestricted Shares Granted	4,470	$ 26.80
Shares Vested	(4,470)	$ 26.80
Non-vested - September 30, 2014	-	-

Restricted Stock Units

General Terms

We grant restricted stock units to key executive personnel under the Plan. Each year, we have granted awards that vest based on continued service ("Time-Based RSUs") as well as awards that vest based on a combination of performance metrics and continued service ("Performance-Based RSUs"). Subject to certain exceptions, our Time-Based RSUs generally vest one-third per year over a three-year period. Each of our Performance-Based RSUs represents the right to receive a maximum of one-and-a-half shares of common stock, depending upon performance. We grant two types of Performance-Based RSUs – one for which vesting is contingent upon an absolute metric, our earnings per share (our "Absolute Performance-Based RSUs"), and another for which vesting is contingent upon our performance as measured against a relative metric, our relative total shareholder return (our "Relative Performance-Based RSUs").

For our top four executives, their Absolute Performance-Based RSUs vest and pay out in the year following the grant. For each other recipient, the Absolute Performance-Based RSUs vest and pay out one-third per year over the three years following grant, based on the achievement of the metric in the first year. With respect to the Relative Performance-Based RSUs, vesting is contingent upon our total stockholder return for a given period as compared to the companies comprising the Russell 2000 index for the same period. For our top four executives, the performance of their Relative Performance-Based RSUs is measured over a one-year period (the calendar year of the grant), while for each other recipient the performance of their Relative Performance-Based RSUs is measured

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at the end of the third year (through December 31 of the third year following the grant). For all RSUs, vesting is contingent upon continued employment with the Company except in certain limited circumstances.

For the three months ended September 30, 2014 and 2013, our net income reflected $322,000 and $272,000, respectively, of RSU stock-based compensation expense charges. For the nine months ended September 30, 2014 and 2013, our net income reflected $1.1 million and $933,000, respectively, of RSU stock-based compensation expense charges.

2012 Grants

In 2012, we achieved maximum performance on our Absolute Performance-Based RSUs, and 21,564 shares of common stock vested and were paid out in 2013. In May 2014, an additional 1,500 shares vested and were paid out. The remaining 1,500 RSUs will vest and pay out in May 2015. With respect to our Relative Performance-Based RSUs, for our top four executives, whose awards were measured over a one-year performance period, our relative rank was in the 27th percentile, and therefore those awards paid out at 53% of grant (21,564 shares of common stock) in 2013. Vesting of the remainder of Relative Performance-Based RSUs granted in 2012 is based on our relative TSR rank over a three-year measurement period, and therefore those 1,500 RSUs will vest and be paid out in 2015 based on our relative performance as determined following the end of the performance period (December 31, 2014).

2013 Grants

In 2013, we achieved maximum performance on our Absolute Performance-Based RSUs, and 8,450 shares of common stock vested and paid out on May 7, 2014. The remaining 3,525 RSUs will vest and pay out ratably in May 2015 and 2016. With respect to our Relative Performance-Based RSUs, for our top four executives, whose awards were measured over a one-year performance period, our relative rank was in the 79th percentile, and therefore those awards paid out at 150% of grant (20,064 shares of common stock) on May 7, 2014. The remainder of Relative Performance-Based RSUs granted in 2013 will vest based on our relative TSR rank over a three-year measurement period, and therefore those 3,525 RSUs will be vest and be paid out in 2016 based on our relative performance as determined following the end of the performance period (December 31, 2015).

2014 Grants

On January 28, 2014, we granted 7,950 Time-Based RSUs, 17,351 Absolute Performance-Based RSUs, and 17,349 Relative Performance-Based RSUs.

Fair Values

The fair value of the Time-Based RSUs was calculated based on the closing market price of our stock as of the grant date times the number of RSUs issued with no forfeitures assumed. For our 2014, 2013, and 2012 awards, we used the closing market price of our stock on January 28, 2014, April 23, 2013, and May 7, 2012 which was $25.95, $17.66, and $19.35 per share, respectively. The Performance-Based RSUs are subject to vesting upon two different performance metrics: an Absolute Performance-Based metric based on targeted earnings per share and a Relative Performance-Based metric based on our total stockholder return over a given period as measured against that of the other companies in the Russell 2000 index. In order to calculate the fair value of our Absolute Performance-Based RSUs, we multiplied the closing market price of our stock as of the grant date times the number of RSU's issued with no forfeitures assumed. We measured our Relative Performance-Based RSUs based on market conditions on the grant date. In order to derive the fair value of these awards, we used a Monte-Carlo simulation statistical technique to simulate our future stock

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prices and the components of the Russell 2000 Index. The stock prices were based upon the risk-free rate of return, the volatility of each entity, and the correlation of each entity with the Russell 2000 Index. We multiplied our ending simulated stock price by the payout percentage to determine a projected payout at the end of the performance period. The ending payout was then discounted, using the risk-free rate of return, to the grant date to determine the grant date fair value. Since 2014, 2013, and 2012 all provide for one year vesting (for the top four named executive officers) and three year vesting (for all other award recipients), a fair value was calculated separately for the one and three year awards for each year.

The following assumptions were used:

	2014 Awards		2013 Awards		2012 Awards	
	1 Year Vest	3 Year Vest	1 Year Vest	3 Year Vest	1 Year Vest	3 Year Vest
Stock Price	$ 25.95	$ 25.95	$ 17.66	$ 17.66	$ 19.35	$ 19.35
Expected Volatilities	44.30 %	40.02 %	33.50 %	37.03 %	44.31 %	40.50 %
Correlation Coefficients	0.374	0.554	0.473	0.625	0.719	0.694
Risk Free Rate	0.10 %	0.72 %	0.10 %	0.31 %	0.16 %	0.34 %
Dividend Yield	3.85 %	3.85 %	5.70 %	5.70 %	5.17 %	5.17 %
Simulated Fair Value	$ 23.03	$ 25.46	$ 15.33	$ 16.57	$ 17.73	$ 18.88
Fair Value as a % of Grant	88.74 %	98.10 %	86.81 %	93.83 %	91.63 %	97.57 %

Our operating results, net income (loss) and net income (loss) before taxes for the periods set forth below include (i) the following amounts of compensation expense associated with the stock grants and RSUs and (ii) the related reductions in earnings per share:

	Three Months ended September 30,		Nine Months ended September 30,	
	2014	2013	2014	2013
Stock-Based Compensation Expense:				
Stock Grants to Outside Directors	$ 30,000	$ 30,000	$ 90,000	$ 90,000
RSUs Awards to Officers	$ 322,000	$ 272,000	$ 1,093,000	$ 933,000
Related Reduction in Earnings Per Share 1	$ (0.03)	$ (0.03)	$ (0.11)	$ (0.09)

1 Same for basic and diluted earnings per share

In all cases, vesting is contingent upon continued employment with the company. A summary of the activity for the restricted stock awards during the nine months ended September 30, 2014, is as follows:

	Number of RSU's	Weighted Average Grant Date Fair Value
Non-vested - December 31, 2013	131,100	$ 18.77
Additional Awards Granted	15,138	16.63
Awards Granted	42,650	24.99
Awards Exercised	(48,849)	24.97
Awards Cancelled	(25,639)	24.97
Non-vested - September 30, 2014	114,400	$ 22.07

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Note 14. Stockholders' Equity

A summary of the changes in Stockholders' equity for the nine months ended September 30, 2014, is as follows:

(All Amounts in Thousands)	Stockholders' Equity
Balance December 31, 2013	$ 336,540
Net Loss	(6,446)
Common Stock Dividends*	(5,569)
Preferred Stock Dividends	(3,916)
Unrealized Foreign Currency Translation Gain	(67)
Net Change in Fair Value of Derivatives	422
Net Change in Funding Status of Defined Benefit Plan	225
Issuance of stock-based compensation	544
Balance September 30, 2014	$ 321,733

*Includes $105,000 of dividends accrued but not paid during the period with respect to unvested equity incentive awards.

Stock Repurchase Program

On January 25, 2008, our Board of Directors approved a share repurchase program for up to a total of 1,000,000 shares of our common stock. We expect that any share repurchases under this program will be made from time to time for cash in open market transactions at prevailing market prices. The timing and amount of any purchases under the program will be determined by management based upon market conditions and other factors. In 2008, we repurchased 491,572 shares of our common stock for $11.5 million. Thereafter, we suspended repurchases until the second quarter of 2010, when we repurchased 223,051 shares of our common stock for $5.2 million. Unless and until our Board of Directors otherwise provides, this authorization will remain open indefinitely, or until we reach the approved 1,000,000 share limit.

This table provides certain information with respect to our purchase of shares of its common stock during the three months ended September 30, 2014:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plan	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plan
July 1, 2014 - July 31, 2014	-	-	-	285,377
August 1, 2014 - August 31, 2014	-	-	-	285,377
September 1, 2014 - September 30, 2014	-	-	-	285,377

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Dividend Payments

During the nine months ended September 30, 2014, we paid cash dividends in respect to our common stock as follows:

(All Amounts in Thousands Except per Share Data)

Record Date	Payment Date	Per Share Amount	Total Dividend Paid
17-Feb-14	3-Mar-14	$ 0.250	$ 1,813
16-May-14	3-Jun-14	$ 0.250	1,826
15-Aug-14	4-Sep-14	$ 0.250	1,825
			$ 5,464

During the nine months ended September 30, 2014, we paid cash dividends in respect of our Series A and Series B Cumulative Perpetual Preferred Stock as follows:

(All Amounts in Thousands Except per Share Data)

Record Date	Series	Payment Date	Per Share Amount	Total Dividend Paid
29-Jan-14	A	30-Jan-14	$ 2.375	$ 594
29-Jan-14	B	30-Jan-14	$ 2.250	712
29-Apr-14	A	30-Apr-14	$ 2.375	594
29-Apr-14	B	30-Apr-14	$ 2.250	711
29-Jul-14	A	30-Jul-14	$ 2.375	594
29-Jul-14	B	30-Jul-14	$ 2.250	711

$ 3,916

Note 15. Preferred Stock

Series A Issuance

On February 21, 2013, we sold 250,000 shares of our 9.50% Series A Cumulative Redeemable Perpetual Preferred Stock, $1.00 par value per share, with a liquidation preference of $100.00 per share.

Subject to the declaration of dividends by our Board of Directors, cumulative dividends on the Series A Preferred Stock are payable at a rate of 9.50% per annum per $100.00 liquidation preference per share, starting from the date of original issue, February 21, 2013. Dividends accumulate quarterly in arrears on each January 30, April 30, July 30 and October 30. However, the dividends are payable only if declared by our Board of Directors and must come from funds legally available for dividend payments. On January 7, 2014, the Board of Directors declared a dividend of $2.375 per share on our Series A Preferred Stock for the preferred stockholders of record as of January 29, 2014, which was paid on January 30, 2014. On April 9, 2014, the Board of Directors declared a dividend of $2.375 per share on our Series A Preferred Stock for the preferred stockholders of record as of April 29, 2014, which was paid on April 30, 2014. On July 7, 2014, the Board of Directors declared a dividend of $2.375 per share on our 9.5% Series A Cumulative Perpetual Preferred Stock to preferred stockholders of record on July 29, 2014, which was paid on July 30, 2014. On October 6, 2014, the Board of Directors declared a dividend of $2.375 per share on our 9.5% Series A Cumulative Perpetual Preferred

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Stock to preferred stockholders of record on October 29, 2014, payable on October 30, 2014. As of September 30, 2014, we had no accumulated unpaid dividends for our Series A preferred stock.

Commencing on April 30, 2018, we may redeem, at our option, the Series A Preferred Shares, in whole or in part, at a cash redemption price of $100.00 per share, plus any accrued and unpaid dividends to, but not including, the redemption date. If at any time a “Change of Control” occurs, we will have the option to redeem the Series A Preferred Shares, in whole, within 120 days after the date of the Change of Control at the same cash redemption price. The Series A Preferred Shares have no stated maturity, are not subject to any sinking fund or other mandatory redemption, and are not convertible into or exchangeable for any of our other securities.

Holders of the Series A Preferred Shares generally have no voting rights except for limited voting rights if dividends payable on the outstanding Series A Preferred Shares are in arrears for nine or more consecutive or non-consecutive quarters, and under certain other limited circumstances.

Net proceeds from the issuance of the Series A Preferred Shares were approximately $23.4 million, net of underwriter discounts and related costs totaling approximately $1.6 million.

Series B Issuance

On August 1, 2013, we sold 316,250 shares of our 9.00% Series B Cumulative Redeemable Perpetual Preferred Stock, $1.00 par value per share, with a liquidation preference of $100.00 per share, including 41,250 shares sold pursuant to an over-allotment option granted to the underwriters for the offering.

Subject to the declaration of dividends by our Board of Directors, cumulative dividends on the Series B Preferred Stock are payable at a rate of 9.00% per annum per $100.00 liquidation preference per share, starting from the date of original issue, August 1, 2013. Dividends accumulate quarterly in arrears on each January 30, April 30, July 30 and October 30. However, the dividends are payable only if declared by our Board of Directors and must come from funds legally available for dividend payments. On January 7, 2014, the Board of Directors declared a dividend of $2.25 per share on our Series B Preferred Stock for the preferred stockholders of record as of January 29, 2014, which was paid on January 30, 2014. On April 9, 2014, the Board of Directors declared a dividend of $2.25 per share on our Series B Preferred Stock for the preferred stockholders of record as of April 29, 2014, which was paid on April 30, 2014. On July 7, 2014, the Board of Directors declared a dividend of $2.25 per share 9.0% Series B Cumulative Perpetual Preferred Stock to preferred stockholders of record on July 29, 2014, which was paid on July 30, 2014. On October 6, 2014, the Board of Directors declared a dividend of $2.25 per share 9.0% Series B Cumulative Perpetual Preferred Stock to preferred stockholders of record on October 29, 2014, payable on October 30, 2014. As of September 30, 2014, we had no accumulated unpaid dividends for our Series B preferred stock.

Commencing on October 30, 2018, we may redeem, at our option, the Series B Preferred Shares, in whole or in part, at a cash redemption price of $100.00 per share, plus any accrued and unpaid dividends to, but not including, the redemption date. If at any time a “Change of Control” occurs, we will have the option to redeem the Series B Preferred Shares, in whole, within 120 days after the date of the Change of Control at the same cash redemption price. The Series B Preferred Shares have no stated maturity, are not subject to any sinking fund or other mandatory redemption, and are not convertible into or exchangeable for any of our other securities.

Holders of the Series B Preferred Shares generally have no voting rights except for limited voting rights if dividends payable on the outstanding Series B Preferred Shares are in arrears for nine or more consecutive or non-consecutive quarters, and under certain other limited circumstances.

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Net proceeds from the issuance of the Series B Preferred Shares were approximately $30.0 million, net of underwriter discounts and related costs totaling approximately $1.6 million.

Note 16. Changes in Accumulated Other Comprehensive Loss

Changes in Accumulated Other Comprehensive Loss by Component

For the three months ending September 30, 2014

(All Amounts in Thousands)	Gains and Losses on Derivatives Fair Value *	Unrealized Translation (Loss) Income	Defined Benefit Pension Items	Total
Beginning balance July 1, 2014	$ (4,314)	$ (397)	$ (9,066)	$ (13,777)
Other comprehensive income (loss) before reclassification	850	(84)	-	766
Amount reclassified from accumulated other comprehensive income (loss)	(393)	-	74	(319)
Net current-period other comprehensive income (loss)	457	(84)	74	447
Ending balance as of September 30, 2014	$ (3,857)	$ (481)	$ (8,992)	$ (13,330)

*The fair value balance as of September 30, 2014, includes a negative $461,000 balance related to an interest rate swap from our 25% investment in Oslo Bulk AS.

Reclassifications out of Accumulated Other Comprehensive Loss

For the three months ending September 30, 2014

(All Amounts in Thousands)

Details about Accumulated Other Comprehensive Loss Components		Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Statement Where Net Income (Loss) is Presented
Gains and losses on derivatives fair value			
Interest rate contracts	$	(426)	Interest expense
Foreign exchange contracts		33	Other revenues
		(393)	Total before tax
		-	Tax (expense) or benefit
		(393)	Net of tax
Amortization of defined benefit pension items			
Prior service costs		24	A&G Expense
Actuarial losses		76	A&G Expense
		100	Total before tax
		(26)	Tax (expense) or benefit
		74	Net of tax
Total reclassifications for the period	$	(319)	Net of tax

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Changes in Accumulated Other Comprehensive Loss by Component

For the three months ending September 30, 2013

(All Amounts in Thousands)	Gains and Losses on Derivatives Fair Value *	Unrealized Translation (Loss) Income	Defined Benefit Pension Items	Total
Beginning balance June 30, 2013	$ (5,844)	$ (104)	$ (16,623)	$ (22,571)
Other comprehensive income before reclassification	3,275	(307)	-	2,968
Amount reclassified from accumulated other comprehensive income	(2,495)	-	306	(2,189)
Net current-period other comprehensive income (loss)	780	(307)	306	779
Ending balance as of September 30, 2013	$ (5,064)	$ (411)	$ (16,317)	$ (21,792)

*The fair value balance as of September 30, 2013, includes a negative $717,000 balance related to an interest rate swap from our 25% investment in Oslo Bulk AS.

Reclassifications out of Accumulated Other Comprehensive Loss

For the three months ending September 30, 2013

(All Amounts in Thousands)

Details about Accumulated Other Comprehensive Loss Components		Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Statement Where Net Income (Loss) is Presented
Gains and losses on derivatives fair value			
Interest rate contracts	$	(2,444)	Interest expense
Foreign exchange contracts		(51)	Other revenues
		(2,495)	Total before tax
		-	Tax (expense) or benefit
		(2,495)	Net of tax
Amortization of defined benefit pension items			
Prior service costs		25	A&G Expense
Actuarial losses		281	A&G Expense
		306	Total before tax
		-	Tax (expense) or benefit
		306	Net of tax
Total reclassifications for the period	$	(2,189)	Net of tax

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Changes in Accumulated Other Comprehensive Loss by Component

For the nine months ending September 30, 2014

(All Amounts in Thousands)	Gains and Losses on Derivatives Fair Value *	Unrealized Translation (Loss) Income	Defined Benefit Pension Items	Total
Beginning balance as of January 1, 2014	$ (4,279)	$ (414)	$ (9,217)	$ (13,910)
Other comprehensive income (loss) before reclassification	1,643	(67)	-	1,576
Amount reclassified from accumulated other comprehensive income (loss)	(1,221)	-	225	(996)
Net current-period other comprehensive income (loss)	422	(67)	225	580
Ending balance as of September 30, 2014	$ (3,857)	$ (481)	$ (8,992)	$ (13,330)

*The fair value balance as of September 30, 2014, includes a negative $461,000 balance related to an interest rate swap from our 25% investment in Oslo Bulk AS.

Reclassifications out of Accumulated Other Comprehensive Loss

For the nine months ending September 30, 2014

(All Amounts in Thousands) Details about Accumulated Other Comprehensive Loss Components		Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Statement Where Net Income (Loss) is Presented
Gains and losses on derivatives fair value			
Interest rate contracts	$	(1,105)	Interest expense
Foreign exchange contracts		(116)	Other revenues
		(1,221)	Total before tax
		-	Tax (expense) or benefit
		(1,221)	Net of tax
Amortization of defined benefit pension items			
Prior service costs		73	A&G Expense
Actuarial losses		227	A&G Expense
		300	Total before tax
		(75)	Tax (expense) or benefit
		225	Net of tax
Total reclassifications for the period	$	(996)	Net of tax

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Changes in Accumulated Other Comprehensive Loss by Component

For the nine months ending September 30, 2013

(All Amounts in Thousands)	Gains and Losses on Derivatives Fair Value *	Unrealized Translation (Loss) Income	Defined Benefit Pension Items	Total
Beginning balance as of January 1, 2013	$ (7,352)	$ (350)	$ (17,244)	$ (24,946)
Other comprehensive income before reclassification	4,070	(61)	-	4,009
Amount reclassified from accumulated other comprehensive income	(1,782)	-	927	(855)
Net current-period other comprehensive income (loss)	2,288	(61)	927	3,154
Ending balance as of September 30, 2013	$ (5,064)	$ (411)	$ (16,317)	$ (21,792)

*The fair value balance as of September 30, 2013, includes a negative $717,000 balance related to an interest rate swap from our 25% investment in Oslo Bulk AS.

Reclassifications out of Accumulated Other Comprehensive Loss

For the nine months ending September 30, 2013

(All Amounts in Thousands)

Details about Accumulated Other Comprehensive Loss Components		Amount Reclassified from Accumulated Other Comprehensive Loss	Affected Line Item in the Statement Where Net Income (Loss) is Presented
Gains and losses on derivatives fair value			
Interest rate contracts	$	(1,796)	Interest expense
Foreign exchange contracts		14	Other revenues
		(1,782)	Total before tax
		-	Tax (expense) or benefit
		(1,782)	Net of tax
Amortization of defined benefit pension items			
Prior service costs		75	A&G Expense
Actuarial losses		852	A&G Expense
		927	Total before tax
		-	Tax (expense) or benefit
		927	Net of tax
Total reclassifications for the period	$	(855)	Net of tax

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Note 17. Earnings Per Share

We compute basic earnings per share based on the weighted average number of common shares outstanding during the relevant periods. Diluted earnings per share also reflect dilutive potential common shares, including shares issuable under restricted stock units using the treasury stock method. The calculation of basic and diluted earnings per share is as follows:

(All Amounts in Thousands Except per Share Data)

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2014	2013	2014	2013
Numerator				
Net (Loss) Income	$ (2,565)	$ (2,222)	$ (6,446)	$ 1,290
Preferred Stock Dividends	1,305	1,076	3,916	1,920
Net (Loss) Income Available to Common Stockholders	$ (3,870)	$ (3,298)	$ (10,362)	$ (630)
Denominator				
Weighted Average Shares of Common Stock Outstanding:				
Basic	7,301,657	7,248,350	7,278,695	7,233,807
Plus:				
Effect of dilutive restrictive stock	-	-	-	-
Diluted	7,301,657	7,248,350	7,278,695	7,233,807
Basic Earnings Per Common Share:				
Net (Loss) Income per share - Basic	$ (0.53)	$ (0.46)	$ (1.42)	$ (0.09)
Net (Loss) Income per share - Diluted:	$ (0.53)	$ (0.46)	$ (1.42)	$ (0.09)

Note 18. Fair Value Measurements

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. Under ASC 820, the price in the principal (or most advantageous) market used to measure the fair value of the asset or liability is not adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, and (iii) able and willing to complete a transaction.

Fair value measurements require the use of valuation techniques that are consistent with one or more of the following: the market approach, the income approach or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present value on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. The fair value of our interest rate swap agreements is based upon the approximate amounts required to settle the contracts. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. In that regard, ASC 820 establishes a fair

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value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- § Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- § Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (including interest rates, volatilities, prepayment speeds, credit risks) or inputs that are derived principally from or corroborated by market data by correlation or other means.
- § Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The following table summarizes our financial assets and financial liabilities measured at fair value on a recurring and non-recurring basis as of September 30, 2014, segregated by the above-described levels of valuation inputs:

(All Amounts in Thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Derivative Assets	$ -	$ 7	$ -	$ 7
Derivative Liabilities	$ -	$ (5,377)	$ -	$ (5,377)

The carrying amounts of our accounts receivable, accounts payable and accrued liabilities approximated their fair value at September 30, 2014 and December 31, 2013. We estimated the fair value of our variable rate long-term debt at September 30, 2014, including current maturities, to equal approximately $254.7 million due to the variable rate nature of the debt as well as to the underlying value of the collateral. We have determined that credit risk is not a material factor.

Note 19. New Accounting Pronouncements

In May 2014, the Financial Accounting Standard Board (“FASB”) issued ASU 2014-09, “Revenue from Contracts with Customers”, to amend Accounting Standards Codification Topic 605, “Revenue Recognition”. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning on or after December 15, 2016. Early adoption is not permitted. We are currently evaluating the impact of the adoption of this standard.

In June 2014, the FASB issued ASU 2014-12, "Compensation – Stock Compensation", to give explicit guidance on whether to treat a performance target that could be achieved after the requisite service period as a performance condition that affects vesting or as a nonvesting condition that affects the grant-date fair value of an award. ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The effective date is the same for both public business entities and all other entities. We are currently evaluating the impact of the adoption of this standard.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern", to give explicit guidance on managements' requirement to analyze whether there are conditions or events, considered in the aggregate, that raise

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substantial doubt about the entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). ASU 2014-15 are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. We are currently evaluating the impact of the adoption of this standard.

Note 20. Prior Period Revision

In the first quarter of 2014, we elected to revise our prior year financial statements in accordance with Accounting Bulletin No. 108 (SAB 108) for three previously uncorrected misstatements which impacted the fourth quarter of 2013. The corrections are immaterial to our financial statements for the period ended December 31, 2013. Accordingly, we corrected the balance sheet impact of these errors by revising our previously issued financial statements in our first quarter 10-Q filing. The first revision related to the cutoff of voyage revenues which resulted in a decrease in revenue and a decrease in voyage expenses for a net adjustment to pre-tax income of $70,000. The second correction related to the classification of the short-term and long-term portions of a related party note receivable. This revision decreased our short term note receivable and increased our long term note receivable by $275,000. The third revision related to an increase in our long-term deferred tax assets and a decrease to our deferred income tax expense by $305,000. The total effect of the revisions on retained earnings was an increase of $375,000 for the year ended December 31, 2013. The income statement effect of these entries will be revised in our financial statements for the twelve month period ended December 31, 2013 when the 2013 income statement or related data derived therefrom is included in one of our subsequent filings under the federal security laws. The financial statement line items impacted by these revisions by more than 1% are presented in the table below in thousands:

Financial Statement Line Item	Dollar Impact	2013 As Previously Reported	% Impact		2013 As Revised
Provision (Benefit) for Income Taxes	$ (305)	$ (11,963)	2.54	%	$ (12,268)
Net Income	$ 375	$ 18,157	2.07	%	$ 18,532
Comprehensive Income	$ 375	$ 29,163	1.2	%	$ 29,538

The impact of these revisions on Revenue, Voyage Expense, Total Operating Expenses, Operating Income, Income Before Provision (Benefit) for Income Taxes and Equity in Net Loss of Unconsolidated Entities, Retained Earnings, Stockholders' Equity, Current Assets, Non-Current Assets, Current Liabilities, and Non-Current Liabilities was less than 1% of each line item, respectively.

Note 21. Early Lease Buy Out

On February 22, 2012, we completed a sale and leaseback arrangement with Wells Fargo Bank NW of our 2007 PCTC vessel. We leased the vessel back under a ten year lease agreement with early buyout options that could be exercised in 2017 and 2019. The lease was classified as an operating lease, with the $14.9 million gain on this sale-leaseback deferred and recognized over the term of the lease. On August 26, 2014, we determined that it was preferential under current market conditions to buy back this vessel with the intent to reflag this vessel to International flag in anticipation of deploying the vessel at a higher operating margin later in 2014. We reached an agreement with the lessor to repurchase the vessel for $55.6 million and recorded the remaining unamortized deferred gain of $11.2 million as a reduction in the cost basis of the purchased asset.

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Note 22. Subsequent Events

On October 29, 2014, at the third quarter Board meeting, our management presented a strategic plan to our Directors that included a divestiture of selected under-performing assets. Subject to a successful divestiture, we could generate approximately $18 - $20 million in net proceeds, after retiring debt collateralized by these assets of approximately $42 million. We plan to invest these proceeds in existing opportunities that will provide satisfactory returns. If our Board of Directors approves this plan, we believe that all the criteria necessary to classify these assets as Held for Sale assets will have occurred at that time, and the assets will be recorded at fair value less the cost to sell. Based on the current fair value estimates of these assets, we could potentially recognize an impairment loss in the range of $25-30 million, which would be recorded in the fourth quarter of 2014. As of September 30, 2014, we performed an analysis of the recoverability of the vessels under the Held for Use model using a weighted average probability approach that considered the various alternative sources of cash flows associated with these vessels, including the sale of these assets and their continued use should we not achieve our sales price estimates, or should our Board not approve such sale. Our evaluation resulted in a conclusion that the carrying values of the vessels were recoverable under the Held for Use model as of September 30, 2014. Accordingly, no impairment was recorded during the three and nine months periods ended September 30, 2014.

On October 17, 2014, through one of our wholly owned subsidiaries, we entered into a Memorandum of Agreement for the sale of our single hulled Tanker vessel. If all conditions are met to this agreement, the transaction could be completed by the second week of November 2014. Under the current terms, the sales proceeds would be approximately $1.6 million and generate an impairment loss of approximately $3.1 million in the fourth quarter. As of September 30, 2014, we performed an analysis of the recoverability on the Tanker under the Held for Use model using a weighted average probability approach that considered the various alternative sources of cash flows including the pending sale in order to recover the current carrying value of the Tanker. Our evaluation resulted in a conclusion that the carrying value of the Tanker was recoverable under the Held for Use model as of September 30, 2014. Accordingly, no impairment was recorded during the three and nine months periods ended September 30, 2014.

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ITEM 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report and other documents filed or furnished by us under the federal securities laws include, and future oral or written statements or press releases by us and our management may include, forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, and as such may involve known and unknown risks, uncertainties, and other factors that may cause our actual results to be materially different from the anticipated future results expressed or implied by such forward-looking statements. Forward-looking statements may include the words "may," "will," "estimate," "intend," "continue," "believe," "ex "plan," "anticipate," "project," "seek," "hope," "should," or "could" and similar words.

Such forward-looking statements include, without limitation, statements regarding (1) anticipated future operating and financial performance, financial position and liquidity, growth opportunities and growth rates, acquisition and divestiture opportunities, business prospects, regulatory and competitive outlook, investment plans or results, strategic alternatives, business strategies, and other similar statements of expectations or objectives; (2) our plans for operating the business and using cash, including our pricing, investment, expenditure and cash deployment plans; (3) our projected ability to deploy vessels in the spot market, under medium to long-term contracts, or otherwise; (4) our outlook on prevailing vessel time charter and voyage rates, including estimates of the impact of dry cargo fleet supply or demand on time charter and voyage rates; (5) estimated fair values of capital assets, the recoverability of the cost of those assets, the estimated future cash flows attributable to those assets, and the appropriate discounts to be applied in determining the net present values of those estimated cash flows; (6) estimated scrap values of assets; (7) estimated proceeds from selling assets and the anticipated cost of constructing or purchasing new or existing vessels; (8) estimated fair values of financial instruments, such as interest rate and currency swap agreements; (9) estimated losses under self-insurance arrangements; (10) estimated gains or losses on certain contracts, trade routes, lines of business or asset dispositions; (11) estimated outcomes of, or losses attributable to litigation; (12) estimated obligations, and the timing thereof, relating to vessel repair or maintenance work; (13) the adequacy of our capital resources and the availability of additional capital resources on commercially acceptable terms; (14) our ability to remain in compliance with applicable regulations; (15) anticipated trends in supplemental cargoes; (16) anticipated trends in government spending, funding, or appropriations; (17) our ability to effectively service our debt or meet the financial covenants contained in our debt and lease agreements; (18) financing opportunities and sources (including the impact of financings on our financial position, financial performance or credit ratings); (19) changes in laws, regulations or tax rates, or the outcome of pending legislative or regulatory initiatives; and (20) assumptions underlying any of the foregoing.

Our forward-looking statements are based on our judgment and assumptions as of the date such statements are made concerning future developments and events, many of which are beyond our control. These forward-looking statements, and the assumptions upon which they are based, are inherently speculative and are subject to a number of risks and uncertainties. Actual events and results may differ materially from those anticipated, estimated, projected, expressed or implied by us in those statements if one or more of these risks or uncertainties materialize, or if our underlying assumptions prove incorrect.

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Factors that could cause our actual results to differ materially from our expectations include our ability to:

- maximize the usage of our vessels and other assets on favorable economic terms, including our ability to (i) renew our time charters and other contracts when they expire, (ii) maximize our carriage of supplemental cargoes and (iii) improve the return on our international flag dry bulk fleet if and when market conditions improve;
- timely and successfully respond to competitive or technological changes affecting our markets;
- effectively handle our leverage by servicing and complying with each of our debt instruments, thereby avoiding any defaults under those instruments and avoiding cross defaults under others;
- secure financing on satisfactory terms to repay existing debt or support operations, including to acquire, modify, or construct vessels if such financing is necessary to service the potential needs of current or future customers;
- successfully retain and hire key personnel, and successfully negotiate collective bargaining agreements with our maritime labor unions on reasonable terms without work stoppages;
- pay preferred or common stock dividends declared by our Board of Directors, the payments or declaration of which may be affected by changes in, among other things, our cash requirements, spending plans, business strategies, cash flows or financial position;
- procure adequate insurance coverage on acceptable terms; and
- manage the amount and rate of growth of our operating, capital, administrative and general expenses.

Other factors that could cause our actual results to differ materially from our expectations include, without limitation:

- changes in domestic or international transportation markets that reduce the demand for shipping generally or our vessels in particular;
- industry-wide changes in cargo freight rates, charter rates, vessel design, vessel utilization or vessel valuations, or in charter hire, fuel or other operating expenses;
- unexpected out-of-service days on our vessels whether due to drydocking delays, unplanned maintenance, accidents, equipment failures, adverse weather, natural disasters, piracy or other causes;
- the rate at which competitors add or scrap vessels, as well as demolition scrap prices and the availability of scrap facilities in the areas in which we operate;
- the possibility that the anticipated benefits from corporate or vessel acquisitions cannot be fully realized or may take longer to realize than expected.
- political events in the United States and abroad, including terrorism, piracy and trade restrictions, and the response of the U.S. and other nations to those events;
- election results and the appropriation of funds by the U.S. Congress, including the impact of any further cuts to federal spending similar to the “sequestration” cuts;
- changes in foreign currency exchange rates or interest rates;
- changes in laws and regulations, including those related to government assistance programs, inspection programs, trade controls, quarantines and protection of the environment;
- our continued access to credit on favorable terms;

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- the ability of customers to fulfill their obligations with us, including the timely receipt of payments by the U.S. government;
- the performance of our unconsolidated subsidiaries, revenue sharing agreements, and joint ventures;
- the impact on our financial statements of nonrecurring accounting charges that may result from, among other things, our ongoing evaluation of business strategies, asset valuations, and organizational structures;
- the frequency and severity of claims against us, and unanticipated outcomes of current or possible future legal proceedings; and
- the effects of more general factors such as changes in tax laws or rates, in accounting policies or practices, in medical or pension costs, or in general market, labor or economic conditions.

These and other uncertainties related to our business are described in greater detail elsewhere below in this report, including “Risk Factors” appearing in Part II, Item 1A of this report.

You should be aware that new factors may emerge from time to time and it is not possible for us to identify all such factors nor can we predict the impact of each such factor on the business or the extent to which any one or more factors may cause actual results to differ from those reflected in any forward-looking statements. Given these uncertainties, we caution investors not to unduly rely on our forward-looking statements. We undertake no obligation to update or revise any forward-looking statements for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise. Furthermore, any information about our intentions contained in any of our forward-looking statements reflects our intentions as of the date of this report, and is based upon, among other things, industry and competitive conditions, economic and market conditions, and our assumptions as of such date. We may change our intentions, strategies or plans (including our dividend plans) at any time and without notice, based upon any changes in such factors, in our assumptions or otherwise.

Executive Summary

Overview of Third Quarter 2014

Overall Strategy

We operate a diversified fleet of U.S. and International Flag vessels that provide domestic and international maritime transportation services to commercial and governmental customers primarily under medium to long-term contracts. Our business strategy consists of identifying niche growth opportunities, utilizing our extensive experience to meet those opportunities, maintaining a diverse portfolio of medium to long-term contracts, and maintaining strong relations with our long-standing customer base by providing quality transportation services.

Overview

Our year over year total gross voyage profits remained stable with $12.6 million recorded in the third quarter of 2014 versus $12.7 million recorded in the third quarter of 2013, despite a charge to earnings of approximately $1.0 million of unamortized dry dock cost due to our decision to accelerate the dry docking of our Belt Self-Unloading Bulk Coal Carrier vessel to the fourth quarter of 2014 in order to provide us with more operational flexibility in 2015. Non-operating days increased from a total of 155 days in the

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third quarter of 2013 to 170 days for the same period in 2014 primarily due to regularly scheduled dry docking of several of our PCTC vessels.

During the third quarter of 2014, we derived $58.8 million from fixed contracts as compared to $54.7 million for the same period in 2013. This improvement in our fixed revenues was primarily driven by an increase in the number of operating days in our UOS fleet and the addition to our fleet of one Multi-Purpose Heavy Lift vessel beginning October 1, 2013. Our variable revenues decreased from $23.2 million in the third quarter of 2013 to $15.6 million for the third quarter of 2014.

Our variable revenues continue to be impacted by (i) lower revenues from our Handysize Bulk Carriers, which continues to be hampered by depressed charter rates, and (ii) lower supplemental cargo revenues. The decrease in our supplemental cargo revenues is due principally to lower volumes of supplemental cargoes, coupled with reduced cargo space in our PCTCs arising from higher volumes of shipped automobiles. Based on current market conditions, we anticipate our supplemental cargoes will stabilize or marginally improve in the near term.

In August 2014, we executed a negotiated early buy out under the lease of our 2007 PCTC vessel that we were previously operating under a ten-year operating lease. The vessel was financed at more attractive interest rates and provides us the flexibility to reflag the vessel to an International Flag. Also in August 2014, we refinanced one of our 1999 PCTCs with RBS Asset Finance which allowed us to obtain a more favorable interest rate and extend the loan maturity by three years.

Consolidated Financial Performance – Third Quarter 2014 vs. Third Quarter 2013

Our net loss was approximately $2.6 million and $2.2 million for the three months ending September 30, 2014 and 2013, respectively. Operating income for the third quarter of 2014, decreased by approximately $885,000 when compared to the results for the same period of 2013. The decrease in our operating income is primarily due to lower results from our dry bulk segment and supplemental cargoes and an increase in our consolidated administrative and general expenses. This decrease was offset by approximately $800,000 of additional interest expense incurred in the third quarter of 2013 from the refinancing of our senior credit facility, and approximately $768,000 of derivative loss from settlement of an interest rate swap contract as a result of the early pay-off of the old credit facility during the period ending September 30, 2013.

Segment Performance – Third Quarter 2014 vs. Third Quarter 2013

Jones Act

§ Increase of $158,000 in gross voyage profits primarily based on an improvement in UOS results.
§ Early drydock of the Belt Self-Unloading Bulk Carrier resulted in accelerated amortization of approximately $1.0 million of drydock expense.

Pure Car Truck Carriers

- § Decrease in gross voyage profits from $3.1 million to $2.6 million.
- § Decrease primarily based on less supplemental cargo and fewer operating days due to scheduled drydock.

Dry Bulk Carriers

- § Decrease in gross voyage profits of approximately $47,000.
- § Results driven by a decrease year over year in dry bulk charter rates and an increase in the loss of the unconsolidated entities.

Rail-Ferry

- § A $466,000 decrease in gross voyage profits was driven by a decrease in cargo volume carried primarily northbound.

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Specialty Contracts

- § Increase of $333,000 in gross voyage profits primarily due to our recent minority investment in two unconsolidated entities owning two Asphalt and two Chemical Tankers.
- § Increase also partly due to the deployment of a Multi-Purpose Heavy Lift vessel acquired in late 2013.

Financial Discipline & Balance Sheet

- § Total unrestricted cash available of $21.0 million at September 30, 2014.
- § Cash generated by operating activities of $15.3 million for the nine months ended September 30, 2014.
- § Working capital of $10.6 million at September 30, 2014.
- § Approximately $1.0 million of borrowing capacity available on our line of credit at September 30, 2014.

Because of the overall condition of the global economy in general, and the marine transportation industry specifically, we continue to test our long-lived assets quarterly to determine whether or not the fair value of each of our segment vessels (based upon projected segment undiscounted cash flows) exceed each of our segment vessels' carrying amounts. Based on our most recent assessment, we determined that no impairments existed as of September 30, 2014. However, see Note 22 - Subsequent Events for more information on an impairment charge that we plan to record in the fourth quarter of 2014 in connection with reclassifying certain assets as being held for sale assuming approval from our Board of Directors. As of this same date, the total aggregated fair value of the vessels that we own, based on the most recent appraisal of each vessel, was $500.6 million, as compared to the total aggregated net book value of $456.3 million.

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The following table lists the 55 vessels in our operating fleet as of September 30, 2014, 22 of which are owned by our wholly-owned subsidiaries:

	Vessels		Year Built	Business Segment (1)	Owned	Bareboat Charter/	Leased	Operating Contracts	Partially Owned	Weight Carrying Capacity (MT)
1	ENERGY ENTERPRISE	BELT SELF-UNLOADING BULK CARRIER	1983	Jones Act	X					38,847
2	SULPHUR ENTERPRISE	MOLTEN SULPHUR CARRIER	1994	Jones Act		X				27,678
3	COASTAL 303/AL ENTERPRISE	ATB TUG/BARGE UNIT	1973/1981	Jones Act	X					23,314
4	NAIDA RAMIL/PEGGY PALMER	ATB TUG/BARGE UNIT (2)	1994/1981	Jones Act	X					34,367
5	COASTAL 101/LA ENTERPRISE	ATB TUG/BARGE UNIT	1973/1984	Jones Act	X					33,529
6	COASTAL 202/FL ENTERPRISE	ITB TUG/BARGE UNIT	1977	Jones Act	X					33,220
7	TX ENTERPRISE	BULK CARRIER	1981	Jones Act	X					37,061
8	MS ENTERPRISE	BULK CARRIER	1980	Jones Act	X					37,244
9	ROSIE PARIS	HARBOR TUG	1974	Jones Act	X					N/A
10	GREEN BAY	PURE CAR/TRUCK CARRIER	2007	PCTC	X					18,312
11	GREEN COVE	PURE CAR/TRUCK CARRIER	1999	PCTC		X				22,747
12	GREEN DALE	PURE CAR/TRUCK CARRIER	1999	PCTC	X					16,157
13	GREEN LAKE	PURE CAR/TRUCK CARRIER	1998	PCTC		X				22,799
14	GREEN POINT	PURE CAR/TRUCK CARRIER	1994	PCTC	X					14,930
15	GREEN RIDGE	PURE CAR/TRUCK CARRIER	1998	PCTC	X					21,523
16			2010	PCTC	X					18,701

	GLOVIS COUNTESS	PURE CAR/TRUCK CARRIER					
17	BALI SEA	ROLL-ON/ROLL-OFF SPV	1995	RF	X		20,737
18	BANDA SEA	ROLL-ON/ROLL-OFF SPV	1995	RF	X		20,664
19	EGS CREST	HANDYSIZE BULK CARRIER	2011	Dry Bulk	X		35,914
20	EGS TIDE	HANDYSIZE BULK CARRIER	2011	Dry Bulk	X		35,916
21	EGS WAVE	HANDYSIZE BULK CARRIER	2011	Dry Bulk	X		35,916
22	BULK AUSTRALIA	CAPESIZE BULK CARRIER	2003	Dry Bulk	X		170,578
23	BULK AMERICAS	SUPRAMAX BULK CARRIER	2012	Dry Bulk	X		57,959
24	OSLO BULK 1	MINI BULK CARRIER	2010	Dry Bulk		X	8,040
25	OSLO BULK 2	MINI BULK CARRIER	2010	Dry Bulk		X	8,028
26	OSLO BULK 3	MINI BULK CARRIER	2010	Dry Bulk		X	8,029
27	OSLO BULK 4	MINI BULK CARRIER	2010	Dry Bulk		X	8,040
28	OSLO BULK 5	MINI BULK CARRIER	2010	Dry Bulk		X	8,040
29	OSLO BULK 6	MINI BULK CARRIER	2011	Dry Bulk		X	8,040
30	OSLO BULK 7	MINI BULK CARRIER	2011	Dry Bulk		X	8,040
31	OSLO BULK 8	MINI BULK CARRIER	2011	Dry Bulk		X	8,040
32	OSLO BULK 9	MINI BULK CARRIER	2011	Dry Bulk		X	8,040
33	OSLO BULK 10	MINI BULK CARRIER	2011	Dry Bulk		X	8,040
34	OSLO BULK 11	MINI BULK CARRIER	2008	Dry Bulk		X	8,000
35	SEA CARRIER	MINI BULK CARRIER	2010	Dry Bulk		X	9,300
36	OSLO CARRIER 2	MINI BULK CARRIER	2010	Dry Bulk		X	9,300
37	OSLO CARRIER 3	MINI BULK CARRIER	2011	Dry Bulk		X	9,300
38	SEA STEAMER	MINI BULK CARRIER	2011	Dry Bulk		X	9,300
39	OSLO MERCHANT	MINI BULK CARRIER	2004	Dry Bulk		X	16,300
40	MT BOW TRAJECTORY	CHEMICAL TANKER	2014	SP		X	50,510
41			2014	SP		X	50,510

	MT BOW TRIBUTE	CHEMICAL TANKER							
42	MT ASPHALT SPRING	ASPHALT TANKER	2007	SP				X	6,726
43	MT ASPHALT SUMMER	ASPHALT TANKER	2007	SP				X	6,654
44	MAERSK ALABAMA	CONTAINER VESSEL	1998	SP		X			17,525
45	MAERSK CALIFORNIA	CONTAINER VESSEL	1992	SP		X			25,375
46	MARINA STAR 2	CONTAINER VESSEL	1982	SP			X		13,193
47	MARINA STAR 3	CONTAINER VESSEL	1983	SP			X		13,193
48	TERRITORY TRADER	CONTAINER VESSEL	1991	SP			X		3,183
49	FLORES SEA	MULTI-PURPOSE VESSEL	2008	SP			X		11,151
50	SAWU SEA	MULTI-PURPOSE VESSEL	2008	SP			X		11,184
51	OCEAN PORPOISE	TANKER	1996	SP	X				13,543
52	OCEAN HERO	TANKER	1996	SP			X		13,543
53	OCEAN PREMIER	TANKER	2011	SP		X			19,382
54	OCEAN GIANT	MULTI-PURPOSE HEAVY LIFT DRY CARGO VESSEL	2012	SP		X			19,382
55	OSLO WAVE	ICE STRENGTHENED MULTI-PURPOSE VESSEL	2000	SP	X				17,381
					22	7	6	20	1,212,425

(1) Business Segments:

Jones Act	Jones Act
PCTC	Pure Car Truck Carriers
RF	Rail-Ferry
Dry Bulk	Dry Bulk Carriers
SP	Specialty Contracts

(2) Currently Inactive

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Management Gross Voyage Profit Financial Measures

In connection with discussing the results of our various operating segments in this report, we refer to “gross voyage profit,” a metric that management reviews to assist in monitoring and managing our business. The following table provides a reconciliation of consolidated gross voyage profit to our operating income.

	Three Months Ended September 30,		Year to date as of September 30,	
(All Amounts in Thousands)	2014	2013	2014	2013
Revenues	$ 74,410	$ 77,938	$ 223,856	$ 233,959
Voyage Expenses*	61,629	64,832	187,586	195,931
Net Loss of Unconsolidated Entities	176	360	364	705
Gross Voyage Profit	12,605	12,746	35,906	37,323
Vessel Depreciation	6,290	6,130	19,528	17,705
Other Depreciation	18	17	54	51
Gross Profit	6,297	6,599	16,324	19,567
Other Operating Expenses:				
Administrative and General Expenses	5,398	4,994	16,209	16,597
Loss on Sale of Other Assets	1	6	1	6
Less: Net Loss of Unconsolidated Entities	(176)	(360)	(364)	(705)
Total Other Operating Expenses	5,223	4,640	15,846	15,898
Operating Income	$ 1,074	$ 1,959	$ 478	$ 3,669

* Includes Intangible Amortization

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RESULTS OF OPERATIONS

Three MONTHS ENDED SEPTEMBER 30, 2014

COMPARED TO THE Three MONTHS ENDED SEPTEMBER 30, 2013

(All Amounts in Thousands)	Jones Act	Pure Car Truck Carriers	Dry Bulk Carriers	Rail-Ferry	Specialty Contracts	Other	Total
2014							
Fixed Revenue	$ 32,101	$ 15,290	$ 1,910	$ -	$ 9,462	$ -	$ 58,763
Variable Revenue	-	3,520	1,786	9,435	1,497	(591)	15,647
Total Revenue from External Customers	32,101	18,810	3,696	9,435	10,959	(591)	74,410
Intersegment Revenues(Eliminated)	-	-	-	-	-	(4,321)	(4,321)
Intersegment Expenses Eliminated	-	-	-	-	-	4,321	4,321
Voyage Expenses	25,340	16,199	2,933	7,940	10,351	(1,134)	61,629
Loss (Income) of Unconsolidated Entities	-	-	373	81	(278)	-	176
Gross Voyage Profit	$ 6,761	$ 2,611	$ 390	$ 1,414	$ 886	$ 543	$ 12,605
Gross Voyage Profit Margin	21 %	14 %	11 %	15 %	8 %	92 %	17 %
2013							
Fixed Revenue	$ 31,003	$ 14,843	$ 919	$ -	$ 7,928	$ -	$ 54,693
Variable Revenue	-	7,990	4,634	10,419	227	(25)	23,245
Total Revenue from External Customers	31,003	22,833	5,553	10,419	8,155	(25)	77,938
Intersegment Revenues (Eliminated)	-	-	-	-	-	(5,519)	(5,519)
Intersegment Expenses Eliminated	-	-	-	-	-	5,519	5,519
Voyage Expenses	24,400	19,728	4,801	8,494	7,602	(193)	64,832
Loss of Unconsolidated Entities	-	-	315	45	-	-	360

Gross Voyage Profit	$ 6,603	$ 3,105	$ 437	$ 1,880	$ 553	$ 168	$ 12,746
Gross Voyage Profit Margin	21 %	14 %	8 %	18 %	7 %	(672) %	16 %

For the purposes of this report, (i) “operating days” are defined as days that our vessels/units are generating revenues or positioning to generate revenues, (ii) “non-operating days” are defined as all other days, and (iii) “working capital” is defined as the difference between our total current assets and total current liabilities.

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Revenues and Gross Voyage Profits

The following table shows the breakout of revenues by segment between fixed and variable for the three months ended September 30, 2014 and 2013:

The changes in revenues and expenses associated with each of our segments are discussed within the gross voyage profit analysis below:

Jones Act: Overall revenues and gross voyage profit increased by $1.1 million and $158,000, respectively, when comparing third quarter 2014 to 2013. The increase was primarily due to additional operating days in the third quarter of 2014 compared to the same period in the prior year, which had a significant amount of scheduled drydock days. Voyage expenses increased year over year primarily due to higher drydock amortization expenses.

Pure Car Truck Carriers: Overall revenues decreased by $4.0 million when comparing third quarter 2014 to 2013. The decrease was driven primarily by a reduction in the amount of supplemental cargo carried and a decrease in on-hire days due to scheduled drydocks in 2014. As noted under “- Executive Summary – Overview,” we anticipate that our supplemental cargo revenues

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will stabilize or marginally improve in the fourth quarter of 2014. The decrease in revenue resulted in gross voyage profit decreasing from $3.1 million in the third quarter of 2013 to $2.6 million in the same period in 2014. Our fixed contract revenues for this segment were $15.3 million and $14.8 million in third quarter 2014 and 2013, respectively. Our variable revenues were $3.5 million and $8.0 million for the same periods in 2014 and 2013, respectively, and represent revenues derived from supplemental cargoes. The third quarter 2014 operating cost for the vessels in this segment, as a percent of revenue, was on or near budget and comparable to our third quarter 2013 operating costs.

Dry Bulk Carriers: Overall revenues decreased $1.9 million and gross voyage profit decreased $47,000 when comparing the third quarter of 2014 to 2013. This decrease is due to lower Handysize results caused by depressed charter rates, partially offset by our Capesize vessel which is on a fixed time charter through the end of 2015.

Rail-Ferry: Revenues decreased by $984,000 when comparing the third quarter of 2014 to the same period in 2013. Gross voyage profit decreased by $466,000 when comparing 2013 to 2014. The decreases are attributable mainly to a decrease in cargo volume carried, primarily northbound cargoes. The vessels operated this past quarter within our operating budget.

Specialty Contracts: Revenues increased from $8.2 million in the third quarter 2013 to $11.0 million in the third quarter 2014 while gross voyage profit increased by $333,000 for the same period. The improved revenues are the result of the addition of one Multi-Purpose Heavy Lift chartered-in vessel October 1, 2013, which generated a small profit margin. Most of the improvement in gross voyage profit is attributable to our recent minority investment in two unconsolidated entities owning two Asphalt and two Chemical Tankers.

Administrative and General Expense: Administrative and general expenses increased from $5.0 million in the third quarter of 2013 to $5.4 million in the third quarter of 2014. The following table shows the significant components of administrative and general expenses for the third quarter of 2014 and 2013.

A&G Account	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Variance	
Wages and Benefits	$ 3,052	$ 2,705	$ 347	(1)
Executive Stock Compensation	352	302	50	
Professional Services	670	662	8	
Office Building Expense	410	386	24	
System Hardware & Software	155	103	52	
Other	759	836	(77)	
TOTAL:	$ 5,398	$ 4,994	$ 404	

(1) The increase is due to self-insurance healthcare expenses.

Other Income and Expense

Interest Expense was comparable at $3.1 million for both the third quarter of 2014 and 2013. Both 2014 and 2013 interest expense included accelerated amortization on bank fees related to debt refinancings.

Derivative Loss/(Gain) increased to a $89,000 gain in the third quarter of 2014 from a $768,000 of loss in the third quarter of 2013 based on changes in the fair value of the ineffective portion of our 2010 interest rate swap.

Other income from vessel financing decreased from $522,000 to $456,000 in the third quarter of 2013 and 2014, respectively, driven by a lower principal balance upon which interest is earned on a note receivable issued to us in connection with our sale of two vessels to an Indonesian company in the third quarter of 2009.

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Foreign Exchange Loss of $30,000 in the third quarter of 2014 is associated with our normal recurring period-end currency revaluations, including the impact of revaluing our obligations relating to the Yen-denominated financing of one of our PCTC vessels. The exchange loss was principally attributable to a change in the exchange rate of 105.31 Yen to 1 USD at December 31, 2013 compared to 109.65 Yen to 1 USD at September 30, 2014, net of the impact of foreign forward exchange contracts we entered into in the fourth quarter of 2013 and subsequently rolled forward into 2014 and 2015, to limit our exposure to fluctuations in the value of the Yen. For more information on these arrangements, see Note 10 – Derivative Instruments.

Income Taxes

We recorded a tax provision of $1.1 million on our $1.2 million of loss before taxes and equity in net loss of unconsolidated entities for the three months ended September 30, 2014. For the three months ended September 30, 2013, we recorded an income tax provision of $18,000 on our $1.8 million of loss before taxes and equity in net loss of unconsolidated entities. Included in both our 2014 and 2013 tax provisions are taxes on our qualifying U.S. flag operations, which continue to be taxed under a “tonnage tax” regime rather than under the normal U.S. corporate income tax regime.

For further information on certain tax laws and elections, see our Annual Report on Form 10-K filed for the year ended December 31, 2013, including “Note J - Income Taxes” to the consolidated financial statements included therein.

Equity in Loss of Unconsolidated Entities

Equity in net loss from unconsolidated entities, net of taxes, improved by $184,000 from the three months ended September 30, 2013 to the three months ended September 30, 2014 primarily due to our 30% investment in entities owning two Asphalt and two Chemical Tankers during 2014.

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RESULTS OF OPERATIONS

NINE MONTHS ENDED September 30, 2014

COMPARED TO THE NINE MONTHS ENDED September 30, 2013

(All Amounts in Thousands)	Jones Act	Pure Car Truck Carriers	Dry Bulk Carriers	Rail-Ferry	Specialty Contracts	Other	Total
2014							
Fixed Revenue	$ 94,408	$ 46,200	$ 5,194	$ -	$ 26,650	$ -	$ 172,452
Variable Revenue	-	11,319	8,881	27,101	4,624	(521)	51,404
Total Revenue from External Customers	94,408	57,519	14,075	27,101	31,274	(521)	223,856
Intersegment Revenues(Eliminated)	-	-	-	-	-	(12,963)	(12,963)
Intersegment Expenses Eliminated	-	-	-	-	-	12,963	12,963
Voyage Expenses	77,370	50,355	9,992	22,874	28,826	(1,831)	187,586
Loss (Income) of Unconsolidated Entities	-	-	542	148	(326)	-	364
Gross Voyage Profit	$ 17,038	$ 7,164	$ 3,541	$ 4,079	$ 2,774	$ 1,310	$ 35,906
Gross Voyage Profit Margin	18 %	12 %	25 %	15 %	9 %	(252) %	16 %
2013							
Fixed Revenue	$ 90,581	$ 48,043	$ 2,457	$ -	$ 21,519	$ -	$ 162,600
Variable Revenue	-	27,755	12,183	29,115	2,253	53	71,359
Total Revenue from External Customers	90,581	75,798	14,640	29,115	23,772	53	233,959
Intersegment Revenues (Eliminated)	-	-	-	-	-	(16,557)	(16,557)
Intersegment Expenses Eliminated	-	-	-	-	-	16,557	16,557
Voyage Expenses	72,106	63,574	14,688	23,894	22,100	(431)	195,931
Loss of Unconsolidated Entities	-	-	653	52	-	-	705

Gross Voyage Profit (Loss)	$ 18,475	$ 12,224	$ (701)	$ 5,169	$ 1,672	$ 484	$ 37,323
Gross Voyage Profit Margin	20 %	16 %	(5) %	18 %	7 %	913 %	16 %

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Revenues and Gross Voyage Profits

The following table shows the breakout of revenues by segment between fixed and variable for the nine months ended September 30, 2014 and 2013:

The changes in revenues and expenses associated with each of our segments are discussed within the gross voyage profit analysis below:

Jones Act: Revenues increased by $3.8 million, while gross voyage profit decreased by $1.4 million, when comparing the nine months ending September 30, 2014 to 2013. The increase in revenue was primarily due to additional operating days in the nine months ending September 30, 2014 compared to the nine months ending September 30, 2013. The decrease in gross voyage profit is the result of an increase in voyage expenses, primarily non-cash drydock amortization charges.

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Pure Car Truck Carriers: Overall revenues decreased by $18.3 million when comparing the nine months ending September 30, 2014 to 2013. The decrease was driven primarily by a reduction in supplemental cargoes. For more information, see "- Executive Summary – Overview." The decrease in revenue resulted in a decrease in gross voyage profit year over year of $5.0 million.

Dry Bulk Carriers: Revenues decreased by $566,000 and gross voyage profit increased by $4.2 million, when comparing the nine months ending September 30, 2014 to 2013. The improvement in our results was primarily driven by the deployment of our Capesize vessel on a fixed time charter through the end of 2015 and lower voyage expenses due to the redelivery of a chartered-in vessel in 2014.

Rail-Ferry: Revenues decreased by $2.0 million when comparing the nine months ending September 30, 2014 to 2013. Gross voyage profit decreased by $1.1 million when comparing 2014 to 2013 and was driven by lower northbound cargo volumes.

Specialty Contracts: Revenues increased from $23.8 million in the nine months ending September 30, 2013 to $31.3 million in the nine months ending September 30, 2014 while gross voyage profit increased by $1.1 million over the same period in 2013. The improvement reflects the increased utilization of our Ice Strengthened Multi-Purpose vessel, which was in drydock during part of the first and second quarters of 2013, and the addition of one Multi-Purpose Heavy Lift chartered-in vessel in the fourth quarter of 2013.

Administrative and General Expense: Administrative and general expenses decreased from $16.6 million in the nine months ended September 30, 2013 to $16.2 million in the nine months ended September 30, 2014. The following table shows the significant components of administrative and general expenses for the nine months ended September 30, 2014 and 2013.

A&G Account	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013	Variance	
Wages and Benefits	$ 8,437	$ 9,387	$ (950)	(1)
Executive Stock Compensation	1,183	1,023	160	(2)
Professional Services	1,851	1,692	159	(3)
Office Building Expense	1,215	1,175	40	
System Hardware & Software	629	572	57	
Other	2,894	2,748	146	
TOTAL:	$ 16,209	$ 16,597	$ (388)	

(1) The reduction is due to accrued bonuses for two quarters of 2013 compared to none in 2014.

(2) Our 2013 stock compensation expense included only one plan year whereas 2014 included three stock incentive plan years (2012, 2013, and 2014).

(3) The increase in Professional Services is due to increase in audit and consulting fees.

Other Income and Expense

Interest Expense was $7.3 million for the nine months ending September 30, 2014, which was $86,000 less than the interest expense for the same period of 2013 due principally to fees paid in connection with entering into our new senior credit facility in 2013, as well as unamortized bank fees written off from the old credit facility that we retired in September 2013.

Derivative Loss/(Gain) increased to a $57,000 gain in the nine months ending September 30, 2014 from a $486,000 loss for the same period of 2013 based on changes in the fair value of the ineffective portion of a 2010 interest rate swap.

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Other income from vessel financing decreased from $1.6 million to $1.4 million in the nine months ending September 30, 2013 and 2014, respectively, driven by a lower principal balance upon which interest is earned on a note receivable issued to us in connection with our sale of two vessels to an Indonesian company in the third quarter of 2009.

Foreign Exchange Loss of $123,000 in the nine month ending September 30, 2014 is associated with our normal recurring period-end currency revaluations, including the impact of revaluing our obligations under the forward contracts relating to the Yen-denominated financing of one of our PCTC vessel. The exchange loss was principally attributable to a change in the exchange rate of 105.31 Yen to 1 USD at December 31, 2013 compared to 109.65 Yen to 1 USD at September 30, 2014, net of the impact of foreign forward exchange contracts we entered into in the fourth quarter of 2013 and subsequently rolled forward into 2014 and 2015, limiting our exposure to fluctuations in the value of the Yen. For more information on these arrangements, see Note 10 – Derivative Instruments.

Income Taxes

We recorded a tax provision of $912,000 on our $5.2 million of loss before taxes and equity in net loss of unconsolidated entities for the nine months ended September 30, 2014. For the nine months ended September 30, 2013, we recorded an income tax provision of $68,000 on our $2.1 million of income before taxes and equity in net loss of unconsolidated entities. In general, the company’s interim tax provision for the nine months ended September 30, 2014, is determined by applying an estimated annual effective tax rate to the year to date earnings subject to U.S. income taxes; primarily our U.S. flag Jones Act results from operations.   Included in both our 2014 and 2013 tax provisions are taxes on our qualifying U.S. flag operations, which continue to be taxed under a “tonnage tax” regime rather than under the normal U.S. corporate income tax regime.

For further information on certain tax laws and elections, see our Annual Report on Form 10-K filed for the year ended December 31, 2013, including “Note J - Income Taxes” to the consolidated financial statements included therein.

Equity in Net Loss of Unconsolidated Entities

Equity in net loss from unconsolidated entities, net of taxes, improved from a loss of $705,000 for the nine months ending September 30, 2013 to a loss of $364,000 for the same period of 2014, driven primarily by our 30% investment in entities owning two Asphalt and two Chemical Tankers during 2014.

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LIQUIDITY AND CAPITAL RESOURCES

The following discussion should be read in conjunction with the more detailed Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Cash Flows included in Item 1 of Part I of this report.

Working Capital

Our working capital decreased from $16.4 million at December 31, 2013 to $10.6 million at September 30, 2014. This $5.8 million decrease in working capital was primarily driven by a $8.1 million decrease in cash partially offset by a $3.9 million increase in our receivables due to the pending refund of the predelivery installments on a cancelled new building vessel. Total current liabilities of $78.2 million as of September 30, 2014 included $23.3 million of current maturities of long-term debt.

Restricted Cash

As of September 30, 2014 we had approximately $1.4 million of cash classified as restricted cash, of which $1.0 million relates to a performance guarantee and a one third pre-month funding of the upcoming quarterly scheduled debt payment in the amount of $387,000 on the PCTC bank debt we incurred in the third quarter of 2014.

As of December 31, 2013, we had $8.5 million of cash classified as restricted cash, of which $6.0 million was associated with a performance guarantee and $2.5 million was associated with a covenant to maintain a minimum loan to value ratio on loans associated with the financing of five of our vessels. The loan to value was normalized in 2014 and this deposit was returned during the second quarter of 2014.

Net Cash Provided by Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2014, was $15.3 million after adjusting our net loss of $6.4 million for non-cash items such as depreciation, deferred charges, amortization, and non-cash stock based compensation, which was partially offset by $5.2 million and $7.0 million in changes in accounts receivable and deferred drydocking payments, and various other items specified in our consolidated statements of cash flows.

Net Cash Used in Investing Activities

Net cash used in investing activities of $60.3 million for the nine months ended September 30, 2014, primarily consisted of $64.7 million of capital outlays, which is primarily made up of $55.6 million for purchase of the 2007 PCTC vessel, $7.9 million related to our minority investment in two Chemical Tankers and two Asphalt Tankers delivered in the second quarter of 2014, and $4.2 million for the purchase of real property in New Orleans. These amounts were partially offset by a $9.1 million decrease in restricted cash, of which $2 million was previously in long term assets, and $3.2 million of cash received on notes receivables.

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Net Cash Provided By Financing Activities

Net cash provided by financing activities of $46.0 million for the nine months ended September 30, 2014 included $94.5 million in proceeds from issuance of new debt, which was largely offset by $26.8 million of regularly scheduled debt payments, $11.4 million of debt paid off early on one of our 1999 PCTCs vessels, and $9.4 million of common stock and preferred stock dividend payments.

Capital Outlays

Our capital outlays are separated into two categories, our investments in capital assets and capital expenditures that enhance the value or safety of our vessels, including scheduled drydock costs.

In addition to our periodic vessel purchases, we regularly incur drydocking and other capital expenditures on an ongoing basis in order to extend the useful life of our vessels, to improve and modernize our fleet, to comply with various requirements or standards imposed by insurers or governmental or quasi-governmental authorities, and to upgrade our on-shore infrastructure. The amount of our capital expenditures is influenced by, among other things, changes in regulatory, quasi-regulatory or insurance requirements or standards, drydocking schedules for our various vessels, demand for our services, cash flow generated by our operations, and cash required for other purposes. Based on our current strategic plans, we currently estimate our total capital outlays for 2014 will be approximately $25.0 million, which includes approximately $9.1 million to acquire and renovate our prospective new headquarters building in New Orleans, Louisiana. The following table discloses (i) our capital outlays for the first three quarters of 2014 and (ii) our projected capital outlays for the balance of 2014:

(All Amounts In Thousands)	Quarter Ended 31-Mar	Quarter Ended 30-Jun	Quarter Ended 30-Sep	Estimated Expenditures 31-Dec	Total
Capital Improvements	$ 386	$ 304	$ 1,802	$ -	$ 2,492
Building	3,565	89	588	4,854	9,096
Construction In Progress	1,919	-	(3,955)*	-	(2,036)
Other	13	163	262	500	938
	$ 5,883	$ 556	$ (1,303)	$ 5,354	$ 10,490
Drydock	1,775	2,323	2,960	7,460	14,518
Total Capital Outlays	$ 7,658	$ 2,879	$ 1,657	$ 12,814	$ 25,008

*During the month ended September 30, 2014, in accordance with the provisions of the agreement with the ship builder, the pre-delivery installments were requested to be refunded to us due to cancellation of the shipbuilding contract.

Debt and Lease Obligations

Debt Obligations

During the quarter ended September 30, 2014, we entered into a new loan agreement for the purchase of our 2007 PCTC that we had previously been operating under a sale-leaseback arrangement. Under this new loan agreement, we borrowed $38.5 million at a fixed rate of 4.35% with 24 quarterly payments with a final quarterly balloon payment of $20.7 million due on August 28, 2020. We incurred deferred loan costs in the amount of approximately $519,000 on the new loan. The new loan agreement requires us to pre-fund a portion of the upcoming quarterly scheduled debt payment currently constituting $387,000, which amount is classified as restricted cash on the balance sheet. See Note 21 – Early Lease Buy Back for more information on this transaction. During the quarter ended September 30, 2014, we also refinanced one of our 1999 PCTCs by paying off all $11.4 million of our bank debt owed

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to DnB ASA and borrowing $23.0 million under a new loan agreement with RBS Asset Finance. Under this new RBS loan agreement, we are obligated to pay variable interest at a 30 day Libor rate plus 2.75% and principal amortized over 84 monthly payments plus a final payment in August 2021. The new loan costs and the old unamortized loan costs of approximately $230,000 and $225,000, respectively, were expensed as losses on the debt extinguishment.

On September 24, 2013, we terminated our previously-existing revolving credit facility scheduled to expire in September 2014 and five-year variable rate financing agreement that we entered into on November 30, 2012. Concurrently with these terminations, we and all of our domestic subsidiaries entered into a new senior secured credit facility ("Credit Facility") that (i) increased our borrowing capacity up to $95.0 million, with a potential increase up to $145.0 million on the terms described below, (ii) modified our covenant restrictions, (iii) extended the maturity date of our facility to September 24, 2018, (iv) further monetized the value of our U.S. assets, and (v) allowed us to refinance and retire all indebtedness outstanding under our previously-existing revolving credit facility and five-year variable rate financing agreement. The total amount paid off on September 24, 2013 was approximately $46.6 million, of which $21.0 million was drawn from the new revolving credit facility under the Credit Facility.

The Credit Facility includes a term loan facility in the principal amount of $45.0 million and a revolving credit facility (the "LOC") in the principal amount up to $50 million. The LOC includes a $20.0 million sublimit for the issuance of standby letters of credit and a $5.0 million sublimit for swingline loans. The Credit Facility carries an accordion feature, whereby an additional term loan of up to $50.0 million may be advanced at the sole discretion of the lenders subject to certain financial requirements. The Credit Facility has four lenders, each with commitments ranging from $15.0 million to $30.0 million. As of September 30, 2014, we had $41.0 million of borrowings and approximately $8.0 million of letters of credit outstanding under our LOC, leaving us with approximately $1.0 million of borrowing capacity.

Under the Credit Facility, each of our domestic subsidiaries is a joint and several co-borrower. The obligations of all the borrowers under the Credit Facility are secured by all personal property of the borrowers, including the U.S. flagged vessels owned by ISH's domestic subsidiaries and collateral related to such vessels. Several of our International flagged vessels are pledged as collateral securing several of our other secured debt facilities.

Effective March 30 and September 30, 2014, we amended the Credit Facility in the manner discussed below under the heading "– Debt Covenants."

The Credit Facility, as amended, includes usual and customary covenants and events of default for credit facilities of its type. Our ability to borrow under the Credit Facility is conditioned upon continued compliance with such covenants, including, among others, (i) covenants that restrict our ability to engage in certain asset sales, mergers or other fundamental changes, to incur liens or to engage in various other transactions or activities and (ii) various financial covenants, including those currently stipulate that we maintain a consolidated leverage ratio of 4.25 to 1.0, liquidity of not less than $20.0 million, and a consolidated net worth of not less than the sum of $228.0 million plus 50% of our consolidated net income earned after December 31, 2011, plus 100% of the proceeds of all issuances of equity interests received after December 31, 2011 (with all such terms or amounts as defined in or determined under the Credit Facility). For information on the prior terms of these covenants, amendments to our covenants, and our compliance with these covenants, see "– Debt Covenants" below.

We owe various sums under several other credit agreements. For information on these other credit agreements, see Note 11.

Lease Obligations

As of September 30, 2014, we held six vessels under operating contracts and seven vessels under bareboat charter or lease agreements. The types of vessels held under these agreements include (i) a Molten-Sulphur Carrier in our Jones Act segment, (ii) two

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Pure Car Truck Carriers that operate under our PCTC segment, (iii) two Multi-Purpose vessels, two Tankers, five Container vessels, and one Heavy Lift vessel, all of which operate in our Specialty Contracts segment.

Our vessel operating lease agreements have early buy-out options and fair value purchase options that enable us to purchase the vessels under certain specified circumstances. The lease agreements impose certain financial covenants, including defined minimum working capital and net worth requirements, and prohibit us from incurring, without prior written consent, additional debt or lease obligations, subject to certain specified exceptions. These financial covenants are generally similar, but not identical, to the above-described financial covenants set forth in the Credit Facility. See "- Debt Covenants" below.

On February 22, 2012, we completed a sale and leaseback transaction with Wells Fargo Bank Northwest National Association of our 2007-built PCTC. The sale generated proceeds of $59.0 million, which we used to pay down debt of $54.5 million. Thereafter, we leased back the vessel under a ten-year lease agreement with early buyout options exercisable in 2017 and 2019 under certain specified circumstances. The sale resulted in a gain of $14.9 million, which we recorded as a deferred gain on the balance sheet and recognize as income over the length of the lease. In September 2014, we determined that it was better under current market conditions to buy back this vessel and have the flexibility to reflag it as a foreign vessel in anticipation of deploying the vessel at a higher operating margin later in 2014. We repurchased the vessel for $55.6 million and recorded the remaining unamortized deferred gain of $11.2 million as a reduction in the cost basis of the asset.

On November 27, 2012, we sold our Molten-Sulphur Carrier to BMO Harris Equipment Finance Company for approximately $32 million cash and commenced a seven-year lease agreement with an early buy-out option that can be exercised in 2017 under certain specified circumstances. This lease is classified as an operating lease, with the $8.0 million gain on this sale-leaseback being deferred and recognized over the term of the lease.

On November 27, 2012, we sold a 1998-built PCTC to CapitalSource Bank for approximately $31 million cash and commenced a nine-year lease agreement with an early buy-out option that can be exercised in 2017. This lease is classified as an operating lease, with the $11.7 million gain on this sale-leaseback being deferred and recognized over the term of the lease.

We used the net proceeds of approximately $63 million from the November 27, 2012 transactions to finance a portion of the purchase price for our acquisition of UOS, which was completed on November 30, 2012.

On December 27, 2012, we sold a 1999-built PCTC to BB&T Equipment Finance for $32 million cash and commenced a nine-year lease agreement with an early buy-out option that can be exercised in 2015 or again in 2018 under certain specified circumstances. This lease is classified as an operating lease.

In conjunction with our acquisition of UOS in November 2012, we assumed a binding commitment to purchase a Tug/Barge unit previously operated by UOS under a third-party lease. On September 25, 2013, we concluded the purchase of the Tug/Barge unit.

We also conduct certain of our operations from leased office facilities. On September 19, 2013, we executed a five year lease agreement for office space in Tampa, Florida housing our UOS employees. The lease calls for graduated payments in equal amounts over the 60-month term of the lease. In addition to the Tampa office, we signed a new two year lease agreement for our Shanghai, China office space. This lease is effective October 1, 2013 through

September 30, 2015.

As previously announced, we intend to relocate our corporate headquarters from Mobile, Alabama to New Orleans, Louisiana during the fourth quarter of 2015 after we complete renovations of a new facility in downtown New Orleans. Our renovation and relocation costs are expected to be partially offset by approximately $10.2 million in incentives offered by the State of Louisiana. We are planning to terminate our Mobile office lease in late 2015 and in doing so will incur approximately $3.0 million in lease termination expenses. There were no significant expenditures in the third quarter of 2014 related to the relocation.

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For additional information on our fixed commitments, see the table quantifying our aggregate debt and lease obligations included in our Annual Report on Form 10-K for the year ended December 31, 2013 under the heading, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Contractual Obligations and Other Commitments.” For additional information on pending financing transactions that would impact our fixed commitments, see Note 22 herein.

Debt Covenants

All of our principal credit agreements and operating leases require us to comply with various loan covenants, including financial covenants that require minimum levels of net worth, working capital, liquidity, and interest expense or fixed charges coverage and a maximum amount of debt leverage. For more information, see “Risk Factors” in Item 1A of Part II of this report.

During the period ending March 31, 2014, our principal senior secured lenders and two of our lessors agreed at our request to, among other things, defer the date upon which we were required to attain a more stringent leverage ratio and increased liquidity from December 31, 2013 to June 30, 2014. Under the prior terms, we were required to maintain a consolidated leverage ratio of 4.50 to 1.0 through the fiscal quarter ending December 31, 2013 and 4.25 to 1.0 thereafter, and liquidity of not less than $15 million through December 31, 2013 and $20 million thereafter. Under these new terms, we were required to maintain a consolidated leverage ratio of 4.50 to 1.0 through the fiscal quarter ending June 30, 2014, and 4.25 to 1.0 thereafter, and liquidity of not less than $15 million through June 30, 2014 and $20 million thereafter.

Effective September 30, 2014, certain of our lenders and lessors agreed at our request to adjust our covenants to less stringent levels to provide relief from the accounting impact of our above-described August 2014 vessel purchase and refinancing transactions (which, as noted in Note 21, required us to reduce our cost basis in the purchased vessel). Two of our lenders have elected to adjust our definition of EBITDA to disregard the impact of these transactions, while the remainder of our lenders and lessors agreed to amend the consolidated leverage and fixed charge coverage ratios as follows: we are required to maintain a consolidated leverage ratio of 5.00 to 1.0 through the fiscal quarter ending December 31, 2015, then 4.75 to 1.0 through the fiscal quarter ending March 31, 2016, then 4.50 to 1.0 beginning the quarter ending June 30, 2016 through the quarter ending September 30, 2016, and 4.25 to 1.0 thereafter and the minimum fixed charge coverage ratio we are required to maintain is 1.10 to 1.0 beginning with the quarter ending September 30, 2014 through the quarter ending December 31, 2014, 1.15 to 1.0 beginning with the quarter ending March 31, 2015 through the quarter ending December 31, 2015, 1/20 to 1.0 beginning with the quarter ending March 31, 2016 through the quarter ending June 30, 2016, and 1.25 to 1.0 thereafter (in each case as calculated under our amended debt agreements). Consequently, as of September 30, 2014, we were in compliance with all of our debt covenants.

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The following table represents the actual and required covenant amounts required under our principal credit agreements and operating leases (after giving effect to the new terms described above) for the nine months ending September 30, 2014:

	Actual	Required
Net Worth (thousands of dollars) (1)	$ 318,998	$ 298,338
Working Capital (thousands of dollars) (2)	$ 10,550	$ 1
Interest Expense Coverage Ratio (minimum) (3)	6.94	2.50
EBITDAR to Fixed Charges Ratio (minimum) (4)	1.39	1.10
Total Indebtedness to EBITDAR Ratio (maximum) (5)	4.58	5.00
Minimum Liquidity (6)	$ 22,024	$ 20,000

1. Defined as total stockholder's equity less goodwill.
2. Defined as total current assets minus total current liabilities.
3. Defined as the ratio between consolidated earnings before interest, taxes, depreciation, and amortization ("EBITDA") to interest expense.
4. Defined as the ratio between fixed charges to consolidated earnings before interest, taxes, depreciation, amortization and rent ("EBITDAR").
5. Defined as the ratio between adjusted unconsolidated indebtedness to consolidated EBITDAR.
6. Defined as available borrowing capacity under our line of credit plus available cash.

Our failure to produce improved results could jeopardize our ability to attain one or more of our financial covenants in the future. Based on current conditions and our expectations that our performance will stabilize or improve marginally in the near term, we currently believe that we will be able to attain all of our financial covenants through the end of 2014, but cannot assure you of this. Our ability to attain our financial covenants after December 31, 2014 will be dependent upon a wide range of factors, several of which are outside of our control. For additional information, see "Risk Factors – We cannot assure you that we will be able to comply with all of our loan covenants" in Item 1A of Part II of this report.

In the unanticipated event that our cash flow and capital resources are not sufficient to fund our debt service obligations, we could be forced to reduce or delay capital expenditures, sell assets, reduce or eliminate dividends payments, obtain additional capital, enter into financings of our unencumbered vessels or restructure debt. Based on current circumstances, we believe we can continue to fund our working capital and routine capital, investment liquidity needs through cash flow from operations. To the extent we are required to seek additional capital, our efforts could be hampered by continuing uncertainties in the credit markets. See "Risk Factors" in Item 1A of Part II of this report.

Pension Obligations

We contributed $450,000 to our pension plan during the nine months ended September 30, 2014. We contributed another $150,000 in October 2014, which we expect to be the final payment for 2014.

Shelf Registration Statement and Other Matters

On December 4, 2013, the SEC declared effective our new universal shelf registration statement, which enables us to sell up to $200 million of certain registered debt and equity securities. The new registration statement replaces our 2010 universal shelf registration statement, under which we issued $56.5 million of preferred stock.

We routinely evaluate the acquisition of additional vessels or businesses and from time to time evaluate possible vessel divestitures. At any given time, we may be engaged in discussions or negotiations regarding acquisitions or dispositions. We generally do not announce our acquisitions or dispositions until we have entered into a definitive agreement. We may require

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additional financing in connection with any such acquisitions, refinancing transactions or to increase working capital. Our consummation of any such financing transactions could have a material impact on our financial condition or operations.

Cash Dividend Payments

The payment of dividends to common stockholders and preferred stockholders are at the discretion and subject to the approval of our Board of Directors. On October 29, 2008, our Board of Directors authorized the reinstitution of a quarterly cash common stock dividend program beginning in the fourth quarter of 2008. Since then, the Board of Directors has declared a cash common stock dividend each quarter.

On January 7, 2014, the Board of Directors declared a dividend of $2.375 and $2.25 per share on our 9.5% Series A Cumulative Perpetual Preferred Stock and 9.0% Series B Cumulative Perpetual Preferred Stock, respectively, to preferred stockholders of record on January 29, 2014, which was paid on January 30, 2014. Additionally, the Board of Directors declared a dividend of $0.25 per share of common stock to common stockholders of record as of February 17, 2014, which was paid on March 3, 2014.

On April 7, 2014, the Board of Directors declared a dividend of $2.375 and $2.25 per share on our 9.5% Series A Cumulative Perpetual Preferred Stock and 9.0% Series B Cumulative Perpetual Preferred Stock, respectively, to preferred stockholders of record on April 29, 2014, which was paid on April 30, 2014. On April 30, 2014, the Board of Directors declared a dividend of $.25 per share of common stock to common stockholders of record as of May 16, 2014, which was paid on June 3, 2014.

On July 7, 2014, the Board of Directors declared a dividend of $2.375 and $2.25 per share on our 9.5% Series A Cumulative Perpetual Preferred Stock and 9.0% Series B Cumulative Perpetual Preferred Stock, respectively, to preferred stockholders of record on July 29, 2014, which was paid on July 30, 2014. On July 30, 2014, the Board of Directors declared a dividend of $.25 per share of common stock to common stockholders of record as of August 15, 2014, which was paid on September 4, 2014.

On October 6, 2014, the Board of Directors declared a dividend of $2.375 and $2.25 per share on our 9.5% Series A Cumulative Perpetual Preferred Stock and 9.0% Series B Cumulative Perpetual Preferred Stock, respectively, to preferred stockholders of record on October 29, 2014, payable on October 30, 2014. On October 29, 2014, the Board of Directors declared a dividend of $.25 per share of common stock to common stockholders of record as of November 17, 2014, which is payable on December 3, 2014.

Holders of our equity securities have no contractual or other legal right to receive dividends. See “Risk Factors” in Part II, Item 1A, of this report.

Environmental Issues

Our environmental risks primarily relate to oil pollution from the operation of our vessels. We have pollution liability insurance coverage with a limit of $1 billion per occurrence, with deductible amounts not exceeding $250,000 for each incident. Certain international maritime organizations have proposed various regulations relating to marine fuel emissions and ballast water that could in the aggregate increase our operating costs.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standard Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers", to amend Accounting Standards Codification Topic 605, "Revenue Recognition". The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the

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consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning on or after December 15th, 2016. Early adoption is not permitted. We are currently evaluating the impact of the adoption of this standard.

In June 2014, the FASB issued ASU 2014-12, “Compensation – Stock Compensation”, to give explicit guidance on whether to treat a performance target that could be achieved after the requisite service period as a performance condition that affects vesting or as a nonvesting condition that affects the grant-date fair value of an award. ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The effective date is the same for both public business entities and all other entities. We are currently evaluating the impact of the adoption of this standard.

In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements – Going Concern”, to give explicit guidance on managements’ requirement to analyze whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable). ASU 2014-15 are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. We are currently evaluating the impact of the adoption of this standard.

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ITEM 3 – QUANTITATIVE AND QUALITATIVE INFORMATION ABOUT MARKET RISK

In the ordinary course of our business, we are exposed to foreign currency, interest rate, and commodity price risks. We utilize derivative financial instruments including interest rate swap agreements and forward exchange contracts, and in the past we have also utilized commodity swap agreements, to manage certain of these exposures. We hedge firm commitments or anticipated transactions and do not enter into derivatives for speculative purposes. We neither hold nor issue financial instruments for trading purposes.

Interest Rate Risk. The fair value of our cash and short-term investment portfolio at September 30, 2014 approximated its carrying value due to the short-term duration of the underlying securities. The potential decrease in fair value resulting from a hypothetical 10% change in interest rates at quarter-end for our investment portfolio is not material.

The fair value of long-term debt, which is calculated based on the current rates offered to us versus current rates on our outstanding obligations, was approximately $254.7 million as of September 30, 2014. We pay variable interest on all of our long-term debt, except with respect to the debt we incurred in the third quarter of 2014 to finance the repurchase of our 2007 PCTC and our variable-to-fixed interest rate swap described below. Accordingly, an increase in interest rates would not materially impact the fair value of our long-term debt, although it would increase our interest expense.

From time to time, we enter into interest rate swap agreements to manage well-defined interest rate risks and we record the fair value of the interest rate swaps as an asset or liability on our balance sheet. At September 30, 2014, we had one interest rate swap applicable to 16% of our long-term debt, which has a variable-to-fixed interest rate swap with respect to a Yen-based facility for the financing of a PCTC delivered in March 2010. The notional amount under this contract is $42.0 million (based on a Yen to USD exchange rate of 109.65 as of September 30, 2014). With the bank exercising its option to reduce the underlying Yen loan from 80% to 65% funding of the vessel's delivery cost, the 15% reduction represents the ineffective portion of this swap, which consists of the portion of the derivative instrument that is no longer supported by underlying borrowings. The change in fair value related to the ineffective portion of this swap is reflected in our results of operations for the third quarter of 2014 as an $89,000 gain.

For the interest rate swap we have in place, we are the fixed rate payor and the commercial banks are the floating rate payor. The fair value of this agreement at September 30, 2014, which is estimated based on the amount that the banks would receive or pay to terminate the swap agreements at the reporting date, taking into account current market conditions and interest rates, was a liability of $5.4 million. A hypothetical 10% decrease in interest rates as of September 30, 2014, would have increased this liability to an aggregate liability of $6.1 million.

Commodity Price Risk. As of September 30, 2014, we did not have commodity swap agreements in place to manage our exposure to the risk of increases in the price of fuel necessary to operate both our Rail-Ferry and Jones Act segments. We have fuel surcharges and escalation adjustments in place for both of these segments, which we believe mitigates the price risk for those services during 2014. We estimate that a 20% increase in the average price of fuel for the period January 1, 2014 through September 30, 2014 would have resulted in an increase of approximately $662,000 in our fuel costs for the same period, and in a corresponding decrease of approximately $0.09 in our basic and diluted earnings per share based on the shares of our common stock outstanding for the nine months ended September 30, 2014. The additional fuel costs assume revenue from escalation adjustments but that no additional revenue would be generated from fuel surcharges, even though we believe that we could have passed on to our customers some or all of the fuel price increases through the aforementioned fuel surcharges during the same period, subject to the need to maintain competitive freight rates. Our time charterers in our PCTCs, Dry Bulk Carriers and Specialty Contracts segments are responsible for purchasing vessel fuel requirements under governing time charters; thus, our fuel price risk in these segments is currently limited to

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any voyage charters concluded within our Dry Bulk Carriers segment. Since the voyage charters in our Dry Bulk Carriers segment currently are generally short term transactions the applicable voyage freight rates are based on current fuel costs.

Foreign Exchange Rate Risk. We entered into foreign exchange contracts to hedge certain firm purchase commitments during 2013 and 2014. These contracts mature on various dates during 2014 and 2015 (See Note 10). The fair value of these contracts at September 30, 2014 is a liability of approximately $2.0 million. A hypothetical 10% adverse change in exchange rates at September 30, 2014 would have increased this liability to an aggregate liability of approximately $2.2 million. On January 23, 2008, one of our wholly-owned subsidiaries entered into a Senior Secured Term Loan Facility denominated in Japanese Yen for the purchase of a newbuilding PCTC, which was completed and delivered in March 2010. Subsequently, we entered into a variable-to-fixed Yen interest rate swap (the "Facility") designed to set the interest at 2.065%. In June 2009, we received notification that our lender would be exercising its option to reduce the Yen financing on this vessel from 80% to 65% of the delivered vessel cost. The loan was fully drawn in March 2010 to the full amount available of Yen 5,102,500,000. Under current accounting guidelines, since this Facility is not denominated in our functional currency, the outstanding principal balance of the Facility as of the end of each reporting period is to be revalued in terms of USD, with any adjustments in the principal amount of USD owed recorded to earnings. Prior to December 2013, due to the amount of the Facility, we sustained fluctuations that significantly impacted our reported results. In December 2013, we entered into three forward foreign exchange contracts totaling approximately Yen 3.3 billion in order to limit our exposure to currency fluctuations and to provide us with the option to fully pay off our current Yen Facility at an approximate exchange rate of 102.53 to $1.00. One of these contracts was exercised in March 2014 and one was exercised in June 2014. The remaining July contract for 3.1 billion Yen was rolled forward under four contracts, one which expired in September 2014, two which coincide to the next two scheduled quarterly loan installments on December 2014 and March 2015 of approximately 85 million Yen each, and the remaining 2.885 billion Yen mature in April 2015. These remaining contracts limit our exposure to currency fluctuations. As such, any future fluctuations of the Yen will no longer materially affect our reported results. Also at the time of entering into these contracts, we negotiated our Yen Facility with the current Lenders, which will now allow for that Facility to be converted to a USD based Facility at the above exchange rate. All Facility terms and the April 2015 maturity date would remain as currently reflected if we exercise our conversion rights.

The change in the Yen to USD exchange rate at September 30, 2014 compared to December 31, 2013, resulted in a net gain primarily associated with the ineffective portion of our Yen facility of $57,000 for the nine months ended September 30, 2014. This amount is reported under Interest and Other on our Consolidated Statements of Income (Loss).

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ITEM 4 – CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we conducted an evaluation of the effectiveness of our "disclosure controls and procedures," as that phrase is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. The evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

Based on that evaluation, our CEO and CFO have concluded that our disclosure controls and procedures were effective as of September 30, 2014 in providing reasonable assurance that they have been timely alerted of material information required to be disclosed in this report. During the second quarter of 2014, we did not make any changes to our internal control over financial reporting that materially affected, or that we believe are reasonably likely to materially affect, our internal control over financial reporting.

The design of any system of controls is based in part upon certain assumptions about the likelihood of future events and contingencies, and there can be no assurance that any design will succeed in achieving its stated goals. Because of inherent limitations in any control system, misstatements due to error or fraud could occur and not be detected.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of our pending dispute with the U.S. Customs agency, see Note 8. For a discussion of our other legal proceedings, see Item 3 of our annual report on Form 10-K for the year ended December 31, 2013, as supplemented and updated by our disclosures in Item 1 of Part II of our subsequently filed quarterly reports on Form 10-Q.

ITEM 1A. RISK FACTORS

The following discussion of "risk factors" identifies the most significant risks or uncertainties that could (i) materially and adversely affect our business, financial condition, results of operations, liquidity or prospects or (ii) cause our actual results to differ materially from our anticipated results or other expectations. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operation" and our Consolidated Financial Statements and related Notes included elsewhere in this report. Please note that the following discussion is not intended to comprehensively list all risks or uncertainties faced by us. Our operations or actual results could also be similarly impacted by additional risks and uncertainties that (i) are not currently known to us, (ii) we currently deem to be immaterial or (iii) are not specific to us, such as general economic conditions.

Our industry is cyclical and has experienced a recent decline in the demand for certain of the services we offer, which could negatively impact our revenues and earnings.

Historically, the shipping industry has been cyclical. The nature, timing and degree of changes to industry conditions are generally unpredictable and are impacted by factors beyond our control. Various factors influence the demand for our transportation services, including changes in (i) worldwide demand for the commercial products we carry, (ii) the volume of cargoes we carry for or the amount of services we provide to the U.S. government, and (iii) the supply and demand of vessels. The worldwide supply of vessels generally increases with deliveries of new, refurbished or converted vessels and decreases with the scrapping of older vessels.

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If the available supply of vessels exceeds the number of vessels being scrapped, vessel capacity and competition in the markets where we operate may increase. In the absence of a corresponding increase in the demand for these vessels, the time charter hire and cargo rates for our vessels could fluctuate significantly and result in, among other things, lower operating revenues, earnings and asset values.

Our operating results for any particular period can vary significantly based on the amount of supplemental cargoes we carry during that period, which is completely outside of our control. During periods of high supplemental cargoes, such as 2008 and 2009, we benefit significantly from the additional utilization of our vessels to carry these supplemental cargoes. Conversely, during periods of low supplemental cargoes, such as the first and second quarter of 2014, our operating results are adversely affected. Due to the inherent variability of these supplemental cargoes, we cannot predict the revenues or profits attributable to any supplemental cargo that we may carry for any particular future period.

We may not be able to renew our time charters and contracts when they expire at favorable rates or at all.

During the nine month period ended September 30, 2014, we received approximately 77.04% of our revenue from time charters and other fixed contracts. However, there can be no assurance that any of these charters or contracts, which are generally for periods of one year or more, will be renewed.

Moreover, you should be aware that shipping rates are based on several factors that are unpredictable and beyond our control. Accordingly, even if we are able to renew our charters or other fixed contracts when they lapse, we may not be able to earn rates or carry volumes comparable to those received under the expired charters or contracts, which would adversely affect our revenues, earnings and cash flows. In the event we cannot deploy a vessel at economically viable rates, we may opt to lay up the vessel until such time that spot or charter rates become attractive again. During the period of lay-up, the vessel will continue to incur expenditures such as insurance and maintenance costs.

While we currently have no vessels deployed, from time to time, we enter into charter agreements with various agencies or departments of the U.S. government that allow the customer to terminate the agreement at any time without cause, subject to the payment of certain early termination fees.

If our exposure to the spot market increases, our revenues could suffer and our expenses could increase.

At September 30, 2014, we deployed 22.96% of our vessels in the spot market, where rates are typically volatile and subject to short-term market fluctuations. The spot market for marine transportation services is highly competitive, and charter rates for most dry cargo vessels in the spot market are currently low in relation to historical rates. If we deploy a greater percentage of our vessels in the spot market, we may experience a lower overall utilization of our fleet through waiting time or ballast voyages, leading to a decline in our operating revenue and gross profit and an increased risk that we will be unable to recoup our investment in those vessels.

For a discussion of our proposed plans to dispose of certain underperforming assets, please see Note 22.

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We operate in a highly competitive industry.

The shipping industry is intensely competitive and can be influenced by economic and political events that are largely outside the control of shipping companies. Many of our current and potential competitors:

- may have greater resources or stronger brands than we have;
- own larger and more diverse fleets of vessels;
- conduct operations or raise capital at lower costs than us; or
- may be better positioned to adapt to changes in market or economic conditions.

Changes in the political or regulatory environment can also create competition that is not necessarily based on normal considerations of profit and loss. Consequently, there can be no assurance that we will be able to deploy our vessels on economically attractive terms, maintain attractive freight rates, pass cost increases through to our customers or otherwise successfully compete against our competitors. Any failure to remain competitive in the shipping industry could have an adverse effect on our results of operations and financial condition.

Competition could adversely impact us in several ways, including (i) the loss of customers and market share, (ii) the possibility of customers reducing their usage of our vessels or services, (iii) our need to expend substantial time or money on vessel acquisitions or capital improvement projects, (iv) our need to lower prices or increase marketing expenses to remain competitive and (v) our inability to diversify by successfully offering new marine transportation services.

A significant amount of our revenues were derived from four customers, and our revenues could decrease significantly if these customers were lost or their revenues decreased.

For the years ended December 31, 2011, 2012 and 2013, and for the nine months ended September 30, 2014, we derived 34%, 41%, 27%, and 8% of our revenues for each of these respective periods from contracts with various agencies or departments of the U.S. government. Likewise, we derived 15%, 15%, 13%, and 12% of our revenues for the same periods, respectively, from contracts with a Japanese shipping company. Additionally, we derived 21%, and 24% of our revenues for the year ended December 31, 2013 and the nine months ended September 30, 2014, respectively, from contracts with two major U.S. corporations. We are unable to assure you that these customers will continue to contract with us on similar terms, or will not decide to contract with our competitors or perform their own shipping functions themselves. Our inability or failure to continue to retain these customer relationships, to continue to employ our vessels at rates comparable to those historically earned from these customers, or to charter these vessels otherwise in a reasonable period of time or at all could adversely affect our operations and performance. Specifically, in recent periods, Congress has reduced levels of the U.S. government's discretionary spending on a wide range of programs, including recent "sequestration" spending reductions. Future additional cuts in discretionary spending could adversely affect our revenue derived from the U.S. government.

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We cannot assure you that quarterly dividends on, or any other payments in respect of, our outstanding capital stock will be made timely or at all.

For the reasons noted below, we cannot assure you that we will be able to pay timely quarterly dividends on our common stock at the current rate or at all. Likewise, we cannot assure you that we will be able to pay quarterly dividends on, or make other payments in respect of, our Series A and Series B Preferred Shares timely or at all.

Because we are a holding company with no material assets other than the stock of our subsidiaries, our ability to pay dividends will depend on the earnings and cash flow of our subsidiaries and their ability to pay us dividends.

We currently have outstanding 250,000 shares of our 9.50% Series A Cumulative Redeemable Perpetual Preferred Stock and 316,250 shares of our 9.00% Series B Cumulative Redeemable Perpetual Preferred Stock. Subject to limited exceptions, no dividends may be declared or paid with respect to our common stock unless (i) full cumulative dividends have been or contemporaneously are paid on all of our outstanding Series A and Series B Preferred Shares through the most recent dividend payment dates applicable to each such series and (ii) we are in compliance with a net worth to preferred stock ratio applicable to both such series.

Any quarterly dividends on our common stock and our Series A and Series B Preferred Shares will be paid from funds legally available for such purpose when, as and if declared by our board of directors. You should be aware that certain factors may influence our decision, or adversely affect our ability, to pay dividends on our common stock or our Series A and Series B Preferred Shares, including, among other things:

•our supply of cash or other liquid assets might decrease for any of the reasons described in this report, including (i) due to changes in competition, regulation, vessel rates, fleet deployment, taxes, capital markets, operating or drydock costs, or litigation expense or (ii) the impact of any liquidity shortfalls caused by the below-described restrictions on the ability of our subsidiaries to lawfully transfer cash to us;

•any of the events described in this report that impact our future financial position or performance, including changes in vessel deployment or vessel rates, changes in our costs, the number of unscheduled off-hire days for our fleet, the number of days required for dry-docking of our vessels, prevailing global and regional economic and political conditions, and the effect of governmental regulations and maritime self-regulatory organization standards on the conduct of our business;

•our cash requirements or plans might change for a wide variety of reasons, including changes in our capital allocation plans (including a desire to retain or accumulate cash), capital spending plans, stock purchase plans, acquisition strategies, strategic initiatives, debt payment plans, pension funding requirements or plans, or financial position;

•our ability to service and refinance our current and future indebtedness and our ability to borrow or raise additional capital to satisfy our capital needs;

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•restrictions imposed by our existing, or any future, credit facilities, debt securities or leases, including restricted payment and leverage covenants;

•the amount of cash that our subsidiaries may make available to us, whether by dividends, loans or other repayments, may be subject to (i) restrictions imposed by state law and (ii) restrictions imposed by the terms of credit facilities applicable to certain subsidiaries and, potentially, the terms of any future indebtedness that these subsidiaries may incur; and

•limitations on cash payments to stockholders under Delaware law, including limitations that require dividend payments be made out of surplus or, subject to certain limitations, out of net profits for the then-current or preceding year in the event there is no surplus.

Based on its evaluation of these and other relevant factors, our board of directors may, in its sole discretion, decide not to declare a dividend on our common stock or our Series A or B Preferred Shares for any quarterly period for any reason, regardless of whether we have funds legally available for such purposes. Holders of our equity securities should be aware that they have no contractual or other legal right to receive dividends.

We cannot assure that we will be able to comply with all of our loan covenants.

All of our credit agreements and several of our lease agreements impose restrictions or limitations on our business and require us to comply with various loan covenants. The restrictions or limitations these covenants place on us include limitations on our ability to freely: (i) consolidate or merge; (ii) incur new or certain types of debt; (iii) engage in transactions with affiliates; (iv) create liens or permit them to exist on our assets; (v) sell certain assets; (vi) enter into sales and leaseback transactions; and (vii) directly invest in assets other than vessels. These covenants may prevent us from engaging in transactions that otherwise might be considered beneficial to us and our stockholders.

In addition, all of our credit agreements and several of our lease agreements include financial covenants that stipulate minimum levels of net worth, working capital, liquidity and maximum levels of debt and debt leverage. Our ability to satisfy these and other covenants depends on our results of operations and ability to respond to changes in business and economic conditions. Several of these matters are beyond our control or may be significantly restricted by contractual or other limitations. Failure to satisfy any of these financial covenants could cause us to suffer an event of default, which could, among other things, accelerate our obligations under any such agreement or preclude us from making future borrowings thereon.

Moreover, because our debt obligations are represented by separate agreements with different lenders, in some cases the breach of any of these covenants or other default under one agreement may create an event of default under other agreements, resulting in the acceleration of our obligation to pay principal, interest and potential penalties under such other agreements (even though we may otherwise be in compliance with all of our obligations under those agreements). Thus, an event of default under a single agreement, including one that is technical in nature or otherwise not material, could result in the acceleration of significant indebtedness under multiple lending agreements. If amounts outstanding under such agreements were to be accelerated, there can be no assurance that (i) we would be able to obtain additional sources of cash to repay the accelerated indebtedness, (ii) our assets or operations would generate sufficient cash proceeds or cash flow to repay such accelerated indebtedness, or (iii) our lenders would not

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proceed against the collateral securing that indebtedness. Likewise, an event of default under one of these agreements could also prevent us from being able to access our revolving credit facility for future borrowings. The acceleration of any or all amounts due under these agreements or the loss of the ability to borrow under our revolving credit facility could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We cannot assure you that we will be able to comply with all of our financial or other loan covenants. As discussed further in Item 2 of Part I of this report under “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources”, we successfully approached our principal senior secured lenders and lessors during the first and third quarter of 2014 to solicit their agreement to amend the financial covenants. The agreement of our lenders and lessors to this amendment permitted us to remain in compliance with our covenants through the end of the third quarter of 2014.

If we default under our credit agreements or certain of our principal lease agreements, we could be forced to reduce or delay capital expenditures, sell assets, obtain additional capital, enter into financings of our unencumbered vessels, restructure debt, modify our current business plan, or curtail certain of our operations. We cannot assure you that we will be able to implement these options timely or at all, or that they will enable us to meet all of our covenants currently in effect.

For further detailed information on our compliance with our financial covenants as of September 30, 2014, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources” in Item 2 of Part I of this report.

Marine transportation is inherently risky, and insurance may be insufficient to cover losses that may occur to our assets or result from our operations.

The operations of our vessels are subject to various inherent risks, including:

•catastrophic marine disaster;

•adverse weather conditions or natural disasters;

•mechanical failure;

•collisions;

•hazardous substance spills;

•seizure or expropriation of our vessels by governments, pirates, combatants or others; and

•navigation and human errors.

The occurrence of any of these events may result in, among other things, damage to or loss of our vessels and our vessels' cargo or other property, delays in delivery of cargo, damage to other vessels and the environment, loss of revenues, termination of vessel charters or other contracts, fines, penalties or other restrictions on conducting business, damage to our reputation and customer

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relationships, and injury to personnel. Such occurrences may also result in a significant increase in our operating costs or liability to third parties.

Although we maintain insurance coverage against most of these risks at levels our management considers to be customary in the industry, risks may arise for which we are not adequately insured. Various claims, such as loss of hire, may not be covered by our policies. Additionally, any particular claim may be subject to deductibles or other coverage restrictions, the aggregate impact of which could be material. We cannot assure you that we will be able to renew our existing insurance coverage at commercially reasonable rates or that insurance will remain available at reasonable rates for each of our foreseeable risks that we seek to insure, especially those relating to terrorism or piracy. Similarly, we cannot assure you that our insurance coverage will be adequate to cover future claims as they arise, or that available insurance will cover all foreseeable risks, particularly those involving catastrophic environmental liability. Any uninsured or underinsured loss could have an adverse effect on our financial performance or condition.

Additionally, certain of our insurance coverage is maintained through mutual “protection and indemnity” associations, which are mutual insurance clubs whose members must contribute payments to cover losses sustained by other club members. As a mutual club, a substantial portion of its continued viability to effectively manage liability risks is reliant upon the premiums paid by its members. As a member of such associations, we may incur the obligation to satisfy payments in addition to previously established or budgeted premiums to the extent member claims would surpass the reserves of the association. We may be subject to calls or premiums in amounts based not only on our own claim records, but also the claim records of all other members (or the members of affiliated clubs) over which we have no control. Our payment of these calls could result in significant additional expenses. In addition, we cannot assure you that other association members called upon to pay our claims will be able to do so, particularly since the exposure to such calls would be concentrated among a limited number of shipping companies facing the same types of risks as ours.

Economic conditions, a prolonged economic downturn, economic uncertainty, an increase in trade protectionism or a change in trade patterns in the markets where we operate may have a material adverse effect on our business, financial condition and results of operations.

The demand for our transportation services has been and will continue to be affected by domestic and global economic conditions. Worldwide economic growth has been sluggish since 2008, which has contributed to lower charter rates for marine transportation services since then. Many experts believe that a confluence of factors in the United States, Europe, Asia and developing economies could result in a prolonged period of economic downturn, slow growth or economic uncertainty. If these conditions persist, our customers and potential customers may experience deterioration in their business, which may result in a lower demand for our transportation services or impair the ability of our customers or other third parties to pay amounts owed to us. Moreover, our business, financial condition, results of operations, ability to pay dividends and our future prospects will likely be materially and adversely affected by a prolonged economic downturn in any of these countries or regions.

The demand for our transportation services is also exposed to the risk that increases in trade protectionism or changes in trade patterns will adversely affect our business. If global economic conditions remain slack and uncertain, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing the demand for shipping. Similarly, if changes in production costs or other factors cause manufacturing companies to locate a greater share of their production facilities nearer to

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their consumers, then demand for our shipping services could be further depressed. Either of these could have a material adverse effect on our financial condition, results of operations, ability to pay dividends and future prospects.

If Congress does not make sufficient appropriations under the National Defense Authorization Act for any Fiscal Year, we may not continue to receive certain payments.

If Congress does not make sufficient appropriations under the National Defense Authorization Act for any fiscal year, we may not continue to receive annual payments with respect to certain of our U.S. Flag vessels that we have committed to the federal government under the U.S. Maritime Security Program. Under this program, which is currently in effect through 2025, each participating vessel received annual payments of $3.1 million. However, our 2013 payment was reduced to $2.8 million due to sequestration cuts, but our 2014 payment is scheduled to equal the full annual payment of $3.1 million per vessel. As of September 30, 2014, eight of our vessels operated under contracts issued under this program. Since payments under this program are subject to annual appropriations by Congress and are not guaranteed, we cannot assure that we will continue to receive these annual payments, in full or in part.

Our business would be adversely affected if we failed to comply with the Jones Act, or if this law was modified or repealed.

A substantial portion of our shipping operations are conducted in the U.S. coastwise trade. Under U.S. federal laws known as the "Jones Act," this trade is restricted to vessels built in the United States, owned and manned by U.S. citizens and registered under U.S. Flag. Our failure to comply with these restrictions could subject us to severe penalties, including the permanent loss of the right to engage in U.S. coastwise trade. If the Jones Act were repealed, substantially amended or waived, it could potentially result in additional competition from vessels built in generally lower-cost foreign shipyards and owned and manned by foreign nationals, which could have an adverse effect on our business, results of operations and financial condition. We cannot assure you that the Jones Act will not be repealed or modified in a way that would be detrimental to our business.

Terrorist attacks, piracy and international hostilities can affect the transportation industry, which could adversely affect our business.

Terrorist attacks or piracy attacks against merchant ships, the outbreak of war, or the existence of international hostilities could adversely affect us in several ways, including:

•damaging the world economy;

•adversely affecting the availability of and demand for transportation services generally, or our vessels in particular;

•increasing the cost of insurance;

•disrupting our vessel usage or deployment; and

•adversely affecting the value of our vessels or our ability to profitably operate our vessels and serve our customers.

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Over the past several years, piracy attacks on merchant ships have remained high, particularly in the Gulf of Aden and off the East Coast of Africa. Our industry is a sector of the economy that we believe is particularly likely to be adversely impacted by the effects of political instability, terrorist attacks, war, international hostilities or piracy. In addition, we conduct operations in Indonesia, Southern Mexico, West Africa, the Arabian Gulf, and other areas that are particularly likely to be exposed to the risk of these potential adverse effects.

The market value of vessels fluctuates significantly, which could adversely affect our liquidity, result in breaches of our financing agreements or otherwise adversely affect our financial condition.

The market values of vessels fluctuate over time. The fluctuation in market value of vessels over time is based upon various factors, including:

•the age of the vessel;

•general economic and market conditions affecting the ocean transportation industry, including the demand for cargoes and the availability of vessel financing;

•the number of vessels in the world fleet;

•the types and sizes of vessels available;

•changes in trading patterns or trading routes that affect demand for particular sizes and types of vessels;

•the cost of vessels under construction and scrap prices;

•prevailing levels of time charter and voyage rates;

•changes in regulation or competition from other shipping companies and other modes of transportation; and

•technological advances in vessel design and propulsion.

Declining values of our vessels could adversely affect us in several respects, including reducing our liquidity by limiting our ability to raise cash by refinancing vessels. Declining vessel values could also result in a breach of loan covenants or trigger events of default under relevant financing agreements that require us to maintain certain loan-to-value ratios. In such instances, if we are unable or unwilling to pledge additional collateral to offset the decline in vessel values, our lenders could accelerate our debt and foreclose on our vessels pledged as collateral for the loans.

In addition, accounting pronouncements require that we periodically review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Measurement of the impairment charge is based on the fair value of the asset as provided by third parties as compared to its carrying value. In this respect, management regularly reviews the carrying amount of our vessels in connection with the estimated recoverable amount for each vessel. Such reviews may from time to time result in asset write-downs that could adversely affect our financial condition and results of operations.

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For a discussion of a potential impairment charge that we anticipate recording in the fourth quarter of 2014, please see Note 22.

We have a significant amount of intangible assets on our balance sheet. If our intangible assets became impaired, we may suffer a reduction in our earnings and stockholders' equity.

Under generally accepted accounting principles, intangible assets must be tested for impairment on an annual basis or more frequently whenever events or circumstances indicate that their carrying value may not be recoverable. If our intangible assets are determined to be impaired in the future, we may be required to record significant, non-cash charges to earnings during the period in which the impairment is determined, which would reduce our net income and subsequently reduce our stockholders' equity.

As a holding company with no operations of our own, we rely on payments from our operating companies to meet our obligations.

As a holding company without any material assets or operations, substantially all of our income and operating cash flow is dependent upon the earnings of our subsidiaries and the distribution of those earnings to us or upon loans or other payments of funds by those subsidiaries to us. As a result, we rely upon our subsidiaries to generate the funds necessary to meet our obligations, including the payment of amounts owed under our long-term debt, or to declare and make dividend payments to the holders of our securities. The ability of our subsidiaries to generate sufficient cash flow from operations to allow us and them to make scheduled payments on our respective obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors, many of which are outside of our control. Additionally, our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts owed by us, or, subject to limited exceptions for tax-sharing purposes, to make any funds available to us to repay our debt or other obligations, whether by dividends, loans or other payments. The amount of dividends that our subsidiaries may pay is restricted by the law of the jurisdiction in which they were formed. In addition, our rights to receive assets of any subsidiary upon its liquidation, reorganization or default scenarios that continue will also be effectively subordinated to the claims of creditors of that subsidiary, including trade creditors.

Our business and financial alternatives could be constrained by our current obligations and any future borrowings.

We are highly leveraged. In addition to the liabilities recorded on our consolidated balance sheets as of September 30, 2014, we owe substantial amounts under our long-term operating leases. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Lease Obligations" in Item 2 of Part I of this report.

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Our leverage could have material adverse consequences for us, including:

•limiting our ability to access the capital markets;

•hindering our ability to adjust to changing market, industry or economic conditions;

•requiring us to dedicate a substantial portion of our cash flow from operations to the payment of debt, thereby limiting the amount of free cash flow available for other purposes, including capital expenditures, dividends, stock repurchases or growth opportunities;

•making us more vulnerable to economic or industry downturns, including interest rate increases;

•placing us at a competitive disadvantage to those of our competitors who have less indebtedness;

•increasing the risk that we will need to sell securities or assets, possibly on unfavorable terms, to meet payment obligations; or

•increasing the risk that we may not meet the financial covenants contained in our debt agreements or timely make all required debt payments.

The effect of each of these factors could be intensified if we increase our borrowings or lease commitments.

Our ability to meet our debt obligations, lease commitments and other expenses will depend upon our future performance, which will be affected by financial, business, regulatory and other factors, many of which we are unable to control. For additional information on our indebtedness and commitments, please see Items 1 and 2 of Part I of this report.

We expect to periodically require financing to meet our debt obligations as they come due. Due to the unstable economy and the current credit market environment, we may not be able to refinance maturing debt at terms that are as favorable as those from which we previously benefited, at terms that are acceptable to us or at all. In connection with executing our business strategies, from time to time we evaluate the possibility of acquiring additional vessels or businesses, and we may elect to finance such acquisitions by incurring additional indebtedness. Moreover, if we were to suffer uninsured material losses or liabilities, we could be required to borrow to fund liabilities that we could not pay with our operating cash flow. Our ability to arrange additional financing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. We cannot assure you that we will be able to obtain additional financing on terms acceptable to us or at all. If we are able to obtain additional financing, our credit may be adversely affected and our ability to satisfy our obligations under our current indebtedness could be adversely affected.

We cannot assure you that our access to the public debt and equity markets will remain free of disruptions.

In the future, we may consider selling debt or equity securities to raise additional funds, including to refinance a portion of our maturing debt. Our ability to arrange any such financing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. Prevailing market conditions could be adversely affected by disruptions in domestic or overseas sovereign debt markets, contractions or limited growth in the economy or

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other similar adverse economic developments in the U.S. or abroad. Instability in the global financial markets has from time to time resulted in periodic volatility in the capital markets. This volatility could limit our access to the credit markets, leading to higher borrowing costs or, in some cases, the inability to obtain financing on terms that are as favorable as those from which we previously benefitted, on terms that are acceptable to us, or at all. Any such failure to obtain additional financing could jeopardize our ability to repay, refinance or reduce our debt obligations.

We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.

The ability of our counterparties to perform their obligations under their contracts with us will depend upon a number of factors that are beyond our control and may include, among other things, general economic conditions and the overall financial condition of these counterparties, especially in light of the current global financial weakness. If our counterparties fail to honor their obligations under their agreements with us, we could sustain significant losses or a reduction in our vessel usage, both of which could have an adverse effect on our financial condition, results of operations and cash flows.

Older vessels have higher operating costs and are potentially less desirable to charterers.

The average age of the vessels in our fleet that we own or lease, excluding our vessels engaged in U.S. coastwise trade, is approximately thirteen years (or nine years if our partially-owned Mini-Bulk Carriers built in 2010 and 2011 are included in the average). The average age of our vessels actively engaged in U.S. coastwise trade is approximately 33 years (which reflects the longer vessel lives typically associated with vessels deployed in this trade). See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview" in Item 2 of Part I of this report. In general, capital expenditures and other costs necessary for maintaining a vessel in good operating condition increase and become more difficult to estimate with accuracy as the age of the vessel increases. Moreover, customers generally prefer modern vessels over older vessels, which places the older vessels at a competitive disadvantage, especially in weak markets. In addition, changes in governmental regulations, compliance with classification society standards and customer requirements or competition may require us to make additional expenditures for alterations or the addition of new equipment. In order to make such alterations or add such equipment, we may be required to take our vessels out of service, thereby reducing our revenues. Expenditures such as these may also require us to incur additional debt or raise additional capital. There can be no assurance that market or general economic conditions will enable us to replace our existing vessels with new vessels, justify the expenditures necessary to maintain our older vessels in good operating condition or enable us to operate our older vessels profitably during the remainder of their estimated useful lives.

Our Rail-Ferry Segment has a history of losses, and we can give no assurances as to its future gross voyage profitability.

As a result of a reduction in future anticipated cash flows generated by our rail-ferry service that we began operating in 2001, we recognized a non-cash impairment charge of $25.4 million in the third quarter of 2010 to reduce the carrying value of these assets to their estimated fair value. With the reduced capital cost and an increase in cargoes, this segment was profitable for the last three years. We cannot assure that this service will be operated profitably in the future.

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Our business and operations are highly regulated, which can adversely affect our operations.

Our business and the shipping industry in general are subject to increasingly stringent laws and regulations governing our vessels, including workers' health and safety, and the staffing, construction, operation, insurance and transfer of our vessels. Compliance with or the enforcement of these laws and regulations could have an adverse effect on our business, results of operations or financial condition. For example, in the event of war or national emergency, our U.S. Flag vessels are subject to requisition by the U.S. government. Although we would be entitled to compensation in the event of a requisition of our vessels, the amount and timing of such payments would be uncertain and there would be no guarantee that such amounts would be paid, or if paid, would fully satisfy lost profits associated with the requisition.

In addition, we are required by various governmental and quasi-governmental agencies to obtain and maintain certain permits, licenses and certificates with respect to our operations. In certain instances, the failure to obtain or maintain these authorizations could have an adverse effect on our business. We may also be required to periodically modify operating procedures or alter or introduce new equipment for our existing vessels to appropriately respond to changes in governmental regulation.

Our business and the operation of our vessels are subject to extensive international, national and local environmental, health and safety laws in the jurisdictions in which our vessels operate, as well as in the country or countries of their registration. Compliance with these laws and regulations can be costly. Failure to comply with these laws and regulations may result in penalties, sanctions or, in certain cases, the ultimate suspension or termination of our operations.

International, national and local laws imposing liability for oil spills are also becoming increasingly stringent. Some impose joint, several, and in some cases, unlimited liability on owners, operators and charterers regardless of fault. We could be held liable as an owner, operator or charterer under these laws. In addition, under certain circumstances, we could also be held accountable under these laws for acts or omissions of our affiliates, our charterers or other parties in connection with the management or operation of our vessels. Liability for a catastrophic spill could exceed the insurance coverage we have available, and result in our having to liquidate assets to pay claims. In addition, we may be required to contribute to funds established by regulatory authorities for the remediation of oil pollution damage or to provide financial assurances for oil spill liability to regulatory authorities.

Regulation of our customers' businesses could further impact our operations.

The profitability and viability of certain of our customers' businesses are dependent upon laws and regulations governing their operations. Laws that restrict or preclude their operations could reduce demand for certain vessels. Specifically, currently-pending U.S. governmental proposals to enhance the regulation of carbon emissions could, over time, reduce the demand for our coal-carrying vessels.

Increased inspection procedures and tighter import and export controls could increase costs and disrupt our business.

International shipping is subject to various security and customs inspections and related procedures in countries of origin and destination. Inspection procedures can result in the seizure of contents of our vessels, delays in the loading, offloading or delivery of cargoes, and the levying of customs, duties, fines and other penalties against us.

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It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo impractical. Any such changes or developments may have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our failure to pass inspection by classification societies and regulators could result in one or more of our vessels being unemployable unless and until they pass inspection, resulting in a loss of revenues from such vessels for that period.

The hull and machinery of every commercial vessel must be classed by an international classification society authorized by its country of registry, as well as being subject to survey and inspection by shipping regulatory bodies. The international classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the United Nations Safety of Life at Sea Convention.

Due to the age of several of our vessels, the repairs and remediations required in connection with classification society surveys and inspections may be extensive and require significant expenditures. Additionally, until such time as certain repairs and remediations required in connection with such surveys and inspections are completed (or if any vessel fails such a survey or inspection), the vessel may be unable to trade between ports and, therefore, would be unemployable. Any such loss of the use of a vessel could have an adverse impact on our financial condition and results of operations, and any such impact may be material.

We face periodic drydocking costs for our vessels, which can be substantial.

Vessels must be drydocked periodically for regulatory compliance and for maintenance and repair. Our drydocking requirements are subject to associated risks, including delay and cost overruns, lack of necessary equipment, unforeseen engineering problems, employee strikes or other work stoppages, unanticipated cost increases, inability to obtain necessary certifications and approvals and shortages of materials or skilled labor. A significant delay in drydockings could have an adverse effect on our contract commitments. The cost of repairs and renewals required at each drydock are difficult to predict with certainty and can be substantial. Our insurance does not cover these costs.

We are subject to the risk of continuing high prices, and increasing prices, of the fuel we consume in connection with certain of our operations.

Although our customers are responsible for fuel costs with respect to a substantial portion of our operations, we have some exposure to fuel price risks under various of our other operations. Due to the competitive nature of these other operations, we can give no assurance that we will be able to offset higher fuel costs. Although we currently have some fuel surcharges in place, a material increase in current fuel prices that are not covered by these fuel surcharges could adversely affect our financial condition, results of operations and cash flows.

We are subject to risks associated with operating internationally.

Our non-domestic operations are subject to varying degrees of regulation in each of the foreign jurisdictions in which we provide services. Local laws and regulations, and their interpretation and enforcement, differ significantly among those jurisdictions,

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and can change significantly over time. Future regulatory, judicial and legislative changes or interpretations may have a material adverse effect on our ability to deliver services in foreign jurisdictions.

In addition to these international regulatory risks, some of the other risks inherent in conducting business internationally include:

•licensing, currency, political or other business restrictions or requirements;

•economic, political and social instability, with the attendant risks of extortion or civil unrest;

•potential vessel seizure, terrorist attacks, piracy, kidnapping, the expropriation of assets and other governmental actions, many of which are not covered by our insurance;

•currency restrictions and exchange rate fluctuations;

•potential submission to the jurisdiction of a foreign court or arbitration panel;

•pandemics or epidemics that disrupt worldwide trade or the movement of vessels;

•import and export restrictions;

•longer payment cycles and problems collecting accounts receivable,

•additional U.S. and other regulation of non-domestic operations, including regulation under the Foreign Corrupt Practices Act (the "FCPA") as well as other anti-corruption laws;

•the inability to enforce our contract rights, either due to under-developed legal systems or government actions that result in a deprivation of contract rights; and

•the imposition of unanticipated or increased taxes, increased environmental and safety regulations or other forms of public and governmental regulation that increase our operating expenses.

Many of these risks are beyond our control, and we cannot predict the nature or the likelihood of the occurrence or corresponding effect of any such events, each of which could have an adverse effect on our financial condition and results of operations.

Moreover, in order to effectively compete in certain foreign jurisdictions, it is frequently necessary or required to establish joint ventures, strategic alliances or vessel revenue sharing agreements with other shipping companies or local operators, partners or agents. Reliance on local operators, partners or agents could expose us to the risk of being unable to control the scope or quality of our overseas services or products, or being held liable under the FCPA or other anti-corruption laws for actions taken by our strategic or local partners or agents even though these partners or agents may not themselves be subject to the FCPA or other applicable anti-corruption laws. Any determination that we have violated the FCPA or other anti-corruption laws could have a material adverse effect on our business, results of operations, reputation or prospects.

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Our vessels could be seized by maritime claimants, which could result in a significant loss of earnings and cash flow for the related off-hire period.

Under general maritime law in many jurisdictions, crew members, vessel mortgagees, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts or claims for damages. In many jurisdictions, a maritime lienholder may enforce its lien by either arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could result in a significant loss of earnings and cash flow during the detainment period.

In some jurisdictions, under the extended “sister ship” theory of liability, a claimant may arrest not only the vessel with respect to which the claimant’s maritime lien has arisen, but also any associated vessel under common ownership or control. Consequently, a claim may be asserted against us or any of our subsidiaries or our vessels for the liability of one or more of the other vessels we own. While we have insurance coverage for these types of claims, we cannot guarantee it will cover all of our potential exposure.

If we are unable to attract and retain skilled crew members, our reputation and ability to operate safely and efficiently may be harmed.

Our continued success depends in significant part on the continued services of the officers and seamen who operate our vessels. The market for qualified, experienced officers and seamen is subject to adequate labor availability. We cannot assure you that we will continue to be successful in our efforts to recruit and retain properly skilled personnel at commercially reasonable salaries. Any failure to do so could adversely affect our ability to operate cost-effectively.

A substantial number of our shipboard employees are unionized. In the event of a strike or other work stoppage, our business and operations may be adversely affected.

As of September 30, 2014, all of our U.S. shipboard personnel were unionized employees covered by collective bargaining agreements.

Given the prevalence of maritime trade unions and their corresponding influence over its members, the shipping industry is vulnerable to work stoppages and other potentially disruptive actions by employees. We may also have difficulty successfully negotiating renewals to our collective bargaining agreements with these unions or face resistance to any future efforts to place restraints on wages, reduce labor costs or moderate work practices. Any of these events may result in strikes, work disruptions and have other potentially adverse consequences. While we have experienced no strikes, work stoppages or other significant labor problems during the last ten years, we cannot assure that such events will not occur in the future or be material in nature. In the event we experience one or more strikes, work stoppages or other labor problems, our business and, in turn, our results of operations may be adversely affected.

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Increases in costs for pension and healthcare benefits for our active and retired employees may reduce our profitability and liquidity and increase our funding commitments.

Our costs of maintaining our pension, healthcare and other plans, and the future funding requirements for these plans, are affected by several factors, most of which are outside our control, including:

•decreases in investment returns on funds held by our pension and other benefit plan trusts;

•changes in prevailing interest rates and the discount rate used to calculate pension and other post-retirement expenses;

•increases in healthcare costs generally or claims submitted under our healthcare plans specifically;

•the continuing implementation of the Patient Protection and Affordable Care Act, and the related reconciliation act and regulations promulgated thereunder;

•increases in the number of retirees who elect to receive lump sum benefit payments;

•changes in plan benefits; and

•changes in funding laws or regulations.

Domestically, we participate in and make periodic contributions to various multi-employer pension plans under union and industry-wide agreements that generally provide defined benefits to employees covered by collective bargaining agreements. Funding requirements for benefit obligations of multi-employer pension plans are subject to certain regulatory requirements and we may be required to make cash contributions which may be material to one or more of these plans to satisfy certain underfunded benefit obligations. In addition, if a multi-employer plan fails to satisfy the minimum funding requirements, the Internal Revenue Service may impose certain penalties and taxes.

Absent an applicable exemption, a contributor to a multi-employer plan is liable, upon termination or withdrawal from the plan, for its proportionate share of the plan's underfunded vested liability. Based on the limited information available from plan administrators, which we cannot independently validate, we believe that our portion of the contingent liability in the case of a full withdrawal or termination may be material to our financial position and results of operations. Moreover, in the event that any other contributing employer withdraws from any plan that is underfunded, and such employer (or any member in its controlled group) cannot satisfy its obligations under the plan at the time of withdrawal, then we, along with the other remaining contributing employers, would be liable for our proportionate share of such plan's unfunded vested benefits.

Delays or cost overruns in building new vessels (including the failure to deliver new vessels) could harm us.

Building new vessels is subject to risks of delay (including the failure to timely deliver new vessels to customers) or cost overruns caused by one or more of the following:

•financial difficulties of the shipyard building a vessel, including bankruptcy;

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- unforeseen quality or engineering problems;
- work stoppages;
- weather interference;
- unanticipated cost increases;
- delays in receipt of necessary materials or equipment;
- changes to design specifications; and
- inability to obtain the requisite permits, approvals or certifications from governmental authorities and the applicable classification society upon completion of work.

Significant delays, cost overruns and failure to timely deliver new vessels we have committed to service our customers could adversely affect us in several ways, including delaying the implementation of our business strategies or materially increasing our cost of servicing our commitments to our customers.

For a discussion of a recent termination of a shipbuilding contract, please see Note 8.

Some of our employees are covered by laws limiting our protection from exposure to certain claims.

Some of our employees are covered by several maritime laws, statutes and regulations which circumvent and nullify certain liability limits established by state workers' compensation laws, including provisions of the Jones Act, the Death on the High Seas Act, and the Seamen's Wage Act. We are not generally protected by the limits imposed by state workers' compensation statutes for these particular employees, and as a result, our exposure for claims asserted by these employees may be greater than would otherwise be the case.

We are subject to the control of our principal stockholders.

As of March 1, 2014, two of our current directors, Niels M. Johnsen and Erik L. Johnsen, and their respective family members and affiliated entities, beneficially owned an aggregate of 20.8% of our common stock. Niels M. Johnsen and Erik L. Johnsen are also executive officers of the Company, and their respective fathers were formerly executive officers and directors. As a result, the Johnsen family may have the ability to exert significant influence over our affairs and management, including the election of directors, delaying or opposing a change of control transaction, and effecting other corporate actions requiring stockholder approval.

Because some of our expenses are incurred in foreign currencies, we are exposed to exchange rate risks.

While we incur most of our expenses in U.S. dollars, we have in the past incurred operating expenses in other currencies, most notably the Mexican Peso and Indonesian Rupiah. Declines in the value of the U.S. dollar relative to the currencies in these

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jurisdictions, or other currencies in which we may in the future incur expenses, would increase the U.S. dollar cost of paying these expenses and thus would adversely affect our results of operations.

We selectively enter into hedging derivative contracts, which can result in higher than market interest rates and charges against our income.

In the ordinary course of our business, we are exposed to foreign currency, interest rate and commodity price risks. From time to time, we utilize derivative financial instruments including interest rate swap agreements and forward exchange contracts, and in the past we have also utilized commodity swap agreements to manage certain of these exposures. We hedge only firm commitments or anticipated transactions and do not use derivatives for speculation. We neither hold nor issue financial instruments for trading purposes. Nevertheless, even though our hedging strategies are designed to manage our exposure to interest rate fluctuations, entering into swaps and forward exchange contracts is inherently risky. The derivative strategies that we employ in the future may not be successful or effective, and we could, as a result, incur substantial additional interest costs or charges against our income. For further information, see “Quantitative and Qualitative Information About Market Risk” in Item 3 of Part I of this report.

Loss of our senior management or other key personnel could have an adverse effect on our business, financial condition and results of operations.

Our future success will depend, in significant part, upon the continued services of our senior management team and other key personnel, especially those of our Chief Executive Officer, President, and Chief Financial Officer, who have substantial experience in the shipping industry and over 114 years of collective experience with us. We believe that the experience of our senior management team is a vital component to maintain long-term relationships with our customers. Similarly, we believe UOS’s senior management team will be integral to maintaining long-term relationships with UOS’s key customers. The loss of the services of any of these individuals could adversely affect our future operating results, and we may have to incur significant costs to find sufficient replacements for them, if available.

We are susceptible to severe weather and natural disasters.

Given the nature and scope of our operations, we are constantly vulnerable to disruption as a result of adverse weather conditions, including hurricanes, typhoons, earthquakes and other natural disasters. These types of events may, among other things:

- hinder our ability to effectively and timely provide scheduled service to our customers whether due to damage to our properties, to our customers’ operations, or to dock or other transportation facilities;

- interfere with our terminal operations;

- damage our vessels and equipment; or

- result in injury or death to our employees.

Any of these factors, especially to the extent not fully covered by insurance, could have an adverse effect on our business, financial condition and results of operation.

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We are exposed to various tax risks.

As a taxpayer, we are subject to frequent and regular audits and examinations by the Internal Revenue Service, as well as state and local tax authorities. Because the ultimate outcomes of these matters are uncertain, we can give no assurance as to whether an adverse result from one or more of them will have a material effect on our financial results.

We believe that we should not be subject to tax under the laws of any country other than the United States or Singapore in which we conduct activities or in which our customers are located. However, our belief is based on our understanding of the tax laws of those countries, and our tax position is subject to review and possible challenge by taxing authorities and to possible changes in law or interpretation. We cannot determine in advance the extent to which certain jurisdictions may require us to pay tax or to make payments in lieu of tax. In addition, payments due to us from our customers could potentially be subject to tax claims.

For the next several years, we expect most of our federal taxable income to be offset by federal net operating losses, or NOLs. The laws governing our ability to utilize these NOLs are complex. We cannot assure you that we will continue to be able to utilize our NOLs as anticipated, or that these NOLs will not be depleted sooner than expected. If and when our NOLs are fully utilized, we expect that the amount of our cash flow dedicated to the payment of federal taxes will increase substantially.

Our business is subject to potential security breaches and attacks.

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information, to manage or support a variety of our business operations, transactions and processes, and to maintain various records, which may include personally identifiable information of customers, employees or other third parties. We make significant efforts to maintain the security and integrity of these types of information and systems (and maintain contingency plans in the event of security breaches or system disruptions). Nonetheless, we cannot assure you that our security efforts and measures will prevent unauthorized access to our systems, loss or destruction of data, account takeovers, or other forms of cyber-attacks or similar events, whether caused by mechanical failures, human error, fraud, malice, sabotage or otherwise. The frequency, scope and sophistication of cyber-attacks continue to grow, which increases the possibility that our security measures will be unable to prevent our systems' improper functioning or the improper disclosure of personally identifiable information. Any failure to maintain the proper functioning, security and availability of our information systems could interrupt our operations, damage our reputation, or subject us to claims, any of which could materially and adversely affect us.

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We are exposed to risks arising out of recent legislation affecting U.S. public companies, including risks relating to evaluations of controls required by Section 404 of the Sarbanes-Oxley Act.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, and related regulations implemented thereunder, have increased legal and financial compliance costs and made some activities more time consuming. Any future failure to successfully or timely complete annual assessments of our internal controls required by Section 404 of the Sarbanes-Oxley Act could subject us to sanctions or investigation by regulatory authorities, which could in turn adversely affect our financial results or investors' confidence in us. If we fail to maintain effective controls and procedures, we may be unable to provide financial information in a timely and reliable manner, which could in certain instances limit our ability to borrow or raise capital.

If conditions or assumptions differ from the judgments, assumptions or estimates used in our critical accounting policies, the accuracy of our financial statements and related disclosures could be affected.

The preparation of financial statements and related disclosures in conformity with U.S. generally accepted accounting principles requires us to make judgments, assumptions and estimates that affect the amounts reported in our consolidated financial statements and accompanying notes. For a discussion of our critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" in Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2013. If future events or assumptions differ significantly from the judgments, assumptions and estimates in our critical accounting policies, these events or assumptions could have a material impact on our consolidated financial statements and related disclosures.

Provisions in our organizational documents would make it difficult for a third party to acquire us, even if such a transaction is beneficial to our stockholders.

Our organizational documents:

- provide for blank check preferred stock;
- prevent stockholders from calling special stockholder meetings or voting cumulatively;
- impose certain foreign ownership limits with respect to our stock;
- include various other provisions that could impede, delay or prevent certain takeovers or change of control transactions.

In addition, as noted under "– Risk Factors Related To Our Business – We are subject to the control of our principal stockholders," the Johnsen family beneficially owns a substantial portion of our common stock. These provisions and circumstances could deter a third party from tendering for the purchase of some or all of our shares. These provisions and circumstances may have the effect of impeding, delaying or preventing changes of control of the ownership and management of ISH, even if such transactions would have significant benefits to our stockholders.

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Future acquisitions of vessels or businesses by us would subject us to additional business, operating and industry risks, the impact of which cannot presently be evaluated, and could adversely impact our capital structure.

From time to time in the future we may pursue other acquisition opportunities in an effort to implement our business strategies. Acquisitions may be of individual or groups of vessels or of businesses. To the extent we acquire a business that is financially unstable or is otherwise subject to a high level of risk, we may be affected by the currently unascertainable risks of that business. Accordingly, there is no current basis for you to evaluate the possible merits or risks of the particular business or assets that we may acquire. In addition, the financing of any future acquisition completed by us could adversely impact our capital structure as any such financing would likely include the issuance of additional securities or the borrowing of additional funds. Except as required by law or the rules of any securities exchange on which our securities might be listed at the time we seek to consummate an acquisition, we do not expect to ask our stockholders to vote on any proposed acquisition.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On January 25, 2008, the Company's Board of Directors approved a share repurchase program for up to a total of 1,000,000 shares of the Company's common stock. We expect that any share repurchases under this program will be made from time to time for cash in open market transactions at prevailing market prices. The timing and amount of any purchases under the program will be determined by management based upon market conditions and other factors. In 2008, we repurchased 491,572 shares of our common stock for $11.5 million. Thereafter, we suspended repurchases until the second quarter of 2010, when we repurchased 223,051 shares of our common stock for $5.2 million. Unless and until the Board otherwise provides, this authorization will remain open indefinitely, or until we reach the 1,000,000 share limit.

This table provides certain information with respect to the Company's purchase of shares of its common stock during the third quarter of 2014:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plan	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plan
July 1, 2014 - July 31, 2014	-	-	-	285,377
August 1, 2014 - August 31, 2014	-	-	-	285,377
September 1, 2014 - September 30, 2014	-	-	-	285,377

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ITEM 6 – EXHIBITS

(2.1) Purchase Agreement, dated as of October 9, 2012, executed between International Shipholding Corporation and United Maritime Group, LLC (filed with the Securities and Exchange Commission as Exhibit 2.1 to the Registrant's Form 8-K dated October 11, 2012 and incorporated herein by reference)

(3.1) Restated Certificate of Incorporation of the Registrant, as amended through May 19, 2010 (filed with the Securities and Exchange Commission as Exhibit 3.1 to the Registrant's Form 10-Q for the quarterly period ended June 30, 2010 and incorporated herein by reference)

(3.2) By-Laws of the Registrant as amended through October 28, 2009 (filed with the Securities and Exchange Commission as Exhibit 3.2 to the Registrant's Form Current Report on Form 8-K dated November 2, 2009 and incorporated herein by reference)

(4.1) Specimen of Common Stock Certificate (filed as an exhibit to the Registrant's Form 8-A filed with the Securities and Exchange Commission on April 25, 1980 and incorporated herein by reference)

(4.2) Certificate of Designations, Preferences and Rights of 9.50% Series A Cumulative Redeemable Perpetual Preferred Stock (filed with the Securities and Exchange Commission as Exhibit 3.3 to the Company's Form 8-A dated February 20, 2013 and incorporated herein by reference).

(4.3) Certificate of Designations, Preferences and Rights of 9.0% Series B Cumulative Redeemable Perpetual Preferred Stock (filed with the Securities and Exchange Commission as Exhibit 3.3 to the Company's Form 8-A dated July 25, 2013 and incorporated herein by reference).

(10.1) Credit Agreement, dated as of August 2, 2010, by and among East Gulf Shipholding, Inc., as borrower, the Registrant, as guarantor, the banks and financial institutions listed therein, as lenders, and ING Bank N.V., London Branch, as facility agent and security trustee. (filed with the Securities and Exchange Commission as Exhibit 10.12 to the Registrant's Form 10-Q/A dated December 23, 2010 and incorporated herein by reference) (On December 28, 2010, the Securities and Exchange Commission granted confidential treatment with respect to certain portions of this exhibit.)

(10.2) Second Amendment to the Credit Agreement, dated November 4, 2014, to the Credit Agreement, dated as of August 2, 2010, by and among East Gulf Shipholding, Inc., as borrower, the Registrant, as guarantor, the banks and financial institutions listed therein, as lenders, and ING Bank N.V., London Branch, as facility agent and security trustee*

(10.3) Credit Agreement, dated as of January 23, 2008, by and among East Gulf Shipholding, Inc., as borrower, the Registrant, as guarantor, the banks and financial institutions party thereto, as lenders, DNB Bank ASA, as facility agent and as security trustee. (filed with the Securities and Exchange Commission as Exhibit 10.13 to the Registrant's Form 10-K for the annual period ended December 31, 2007 and incorporated herein by reference).

(10.4) Seventh Amendment to the Credit Agreement, dated October 31, 2014, to the Credit Agreement, dated as of January 23, 2008, by and among East Gulf Shipholding, Inc., as borrower, the Registrant, as guarantor, the banks and financial institutions party thereto, as lenders, DNB Bank ASA, as facility agent and as security trustee*

(10.5) Credit Agreement, dated as of June 20, 2011, by and among Dry Bulk Australia Ltd. and Dry Bulk Americas Ltd., as joint and several borrowers, the Registrant, as guarantor, and ING Bank N.V. London branch, as lender, facility agent and security trustee (filed with the Securities and Exchange Commission as Exhibit 10.8 to the Registrant's Form 10-Q for the quarterly period ended June 30, 2011 and incorporated herein by reference).

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(10.6) Second Amendment to the Credit Agreement, dated November 4, 2014, to the Credit Agreement, dated as of June 20, 2011, by and among Dry Bulk Australia Ltd. and Dry Bulk Americas Ltd., as joint and several borrowers, the Registrant, as guarantor, and ING Bank N.V. London branch, as lender, facility agent and security trustee*

(10.7) Credit Agreement, dated as of June 29, 2011, by and among LCI Shipholdings, Inc. and Waterman Steamship Corporation, as joint and several borrowers, the Registrant, as guarantor, DNB Bank ASA and HSH Nordbank AG, New York Branch, as lenders, DNB Bank ASA, as bookrunner, facility agent and security trustee and DNB Bank ASA and HSH Nordbank AG, New York Branch, as mandated lead arrangers (filed with the Securities and Exchange Commission as Exhibit 10.9 to the Registrant’s Form 10-Q for the quarterly period ended June 30, 2011 and incorporated herein by reference)

(10.8) Credit Agreement, dated as of September 24, 2013, by and among International Shipholding Corporation and thirteen of its subsidiaries as borrowers and Regions Bank as Administrative Agent and Collateral Agent and Regions Capital Markets, a division of Regions Bank, as Lead Arranger and Sole Book Manager as the lenders (filed with the Securities and Exchange Commission as Exhibit 10.6 to the Registrant’s form 10-Q for the quarterly period ended September 30, 2013 and incorporated herein by reference)

(10.9) First Amendment to Credit Agreement and Consent Agreement, dated as of March 31, 2014, to the Credit Agreement, dated as of September 24, 2013, by and among International Shipholding Corporation and thirteen of its subsidiaries as borrowers and Regions Bank as Administrative Agent and Collateral Agent and Regions Capital Markets, a division of Regions Bank, as Lead Arranger and Sole Book Manager as the lenders (filed with the Securities and Exchange Commission as Exhibit 10.7 in Registrant’s Form 10-Q for the quarterly period ended March 21, 2014 and incorporated herein by reference) (The Securities and Exchange Commission has granted confidential treatment with respect to certain portions of this exhibit)

(10.10) Second Amendment to Credit Agreement and Consent Agreement, dated as of October 27, 2014, to the Credit Agreement, dated as of September 24, 2013, by and among International Shipholding Corporation and thirteen of its subsidiaries as borrowers and Regions Bank as Administrative Agent and Collateral Agent and Regions Capital Markets, a division of Regions Bank, as Lead Arranger and Sole Book Manager as the lenders*

(10.11) Credit Agreement, dated as of August 26, 2014, by and among LCI Shipholdings, Inc., a non-resident corporation organized under the laws of the Republic of the Marshall Islands, as Borrower, International Shipholding Corporation, as Guarantor, and RBS Asset Finance, Inc., a New York corporation, as Lender*

(10.12) First Amendment to the Credit Agreement, dated November 5, 2014, to the Credit Agreement, dated as of August 26, 2014, by and among LCI Shipholdings, Inc., a non-resident corporation organized under the laws of the Republic of the Marshall Islands, as Borrower, International Shipholding Corporation, as Guarantor, and RBS Asset Finance, Inc., a New York corporation, as Lender*

(10.13) Credit Agreement, dated as of August 26, 2014, by and among Waterman Steamship Corporation, as Borrower, DVB Bank SE, as Facility Agent and Security Trustee, and the Banks and Financial Institutions from time to time party thereto*

(10.14) First Amendment to the Credit Agreement, dated October 28, 2014, to the Credit Agreement, dated as of August 26, 2014, by and among Waterman Steamship Corporation, as Borrower, DVB Bank SE, as Facility Agent and Security Trustee, and the Banks and Financial Institutions from time to time party thereto*

(10.15) International Shipholding Corporation 2011 Stock Incentive Plan (filed with the Securities and Exchange Commission as Exhibit 99.2 to the Registrant's Current Report dated April 27, 2011 on Form 8-K filed on April 29, 2011 and incorporated herein by reference)

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(10.16) Form of Incentive Agreement dated January 28, 2014 under the International Shipholding Corporation 2011 Stock Incentive Plan (filed with the Securities and Exchange Commission as Exhibit 10.9 to the Registrant's Form 10-Q for quarterly period ended March 31, 2014 and incorporated herein by reference)

(10.17) Change of Control Agreement, by and between the Registrant and Niels M. Johnsen, effective as of August 6, 2008 (filed with the Securities and Exchange Commission as Exhibit 10.14 to the Registrant's Form 10-Q for quarterly period ended June 30, 2008 and incorporated herein by reference)

(10.18) Change of Control Agreement, by and between the Registrant and Erik L. Johnsen, effective as of August 6, 2008 (filed with the Securities and Exchange Commission as Exhibit 10.15 to the Registrant's Form 10-Q for quarterly period ended June 30, 2008 and incorporated herein by reference)

(10.19) Change of Control Agreement, by and between the Registrant and Manuel G. Estrada, effective as of August 6, 2008 (filed with the Securities and Exchange Commission as Exhibit 10.16 to the Registrant's Form 10-Q for quarterly period ended June 30, 2008 and incorporated herein by reference)

(10.20) Form of Indemnification Agreement, by and between the Registrant and members of the Board of Directors, effective as of November 11, 2009 (filed with the Securities and Exchange Commission as Exhibit 10.20 to the Registrant's Form 10-K for the annual period ended December 31, 2009 and incorporated herein by reference)

(10.21) Description of Director Compensation Program (filed with the Securities and Exchange Commission as Exhibit 10.15 to the Registrant's Form 10-K for the year ended December 31, 2013 and incorporated herein by reference)

(31.1) Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *

(31.2) Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *

(32.1) Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

(32.2) Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *

*filed with this report

SIGNATURES

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

INTERNATIONAL SHIPHOLDING CORPORATION

/s/ Manuel G. Estrada

Manuel G. Estrada

Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

Date: November 7, 2014