MARITRANS INC /DE/
Form 10-Q
November 06, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

(Mark One)

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period ended September 30, 2006
or

o **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period from __________ to
Commission File Number 1-9063
MARITRANS INC.
(Exact name of registrant as specified in its charter)

DELAWARE	51-0343903
(State or other jurisdiction of incorporation or organization)	(Identification No. I.R.S. Employer)

TWO HARBOUR PLACE
302 KNIGHTS RUN AVENUE
SUITE 1200
TAMPA, FLORIDA 33602
(Address of principal executive offices)
(Zip Code)
(813) 209-0600
Registrant s telephone number, including area code
(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 requirements for the past 90 days.

Yes þ No o

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

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

Yes o No þ

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

Common Stock $.01 par value,12,029,060 shares outstanding as of November 1, 2006.

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PART I: FINANCIAL INFORMATION

MARITRANS INC.
CONSOLIDATED BALANCE SHEETS
($000)

	September 30, 2006 (Unaudited)	December 31, 2005 As Adjusted (Note 2)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 42,782	$ 58,794
Trade accounts receivable	17,238	20,144
Claims and other receivables	8,368	2,527
Inventories	5,832	5,114
Prepaid expenses	4,165	1,737
Total current assets	78,385	88,316
Vessels and equipment	490,191	455,767
Less accumulated depreciation	234,629	222,126
Net vessels and equipment	255,562	233,641
Deferred costs, net	19,913	21,405
Goodwill	2,863	2,863
Other	196	211
Total assets	$ 356,919	$ 346,436
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Debt due within one year	$ 4,144	$ 3,973
Trade accounts payable	10,855	9,323
Accrued wages and benefits	2,253	5,007
Accrued insurance costs	5,976	2,385
Current income taxes		2,488
Other accrued liabilities	6,472	2,108
Total current liabilities	29,700	25,284
Long-term debt	52,271	55,400
Long-term tax payable	4,414	5,714
Other liabilities	4,138	3,721
Deferred income taxes	43,481	42,321
Stockholders equity		
Common stock	176	176
Capital in excess of par value	174,572	174,595
Retained earnings	101,778	93,487
Unearned compensation		(1,027)

Less: Cost of shares held in treasury		(53,611)		(53,235)
Total stockholders equity		222,915		213,996
Total liabilities and stockholders equity	$	356,919	$	346,436

See notes to financial statements.

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MARITRANS INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
($000, except per share amounts)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005 As Adjusted (Note 2)
Revenues	$ 49,161	$ 44,930
Costs and expenses:		
Operations expense	33,062	23,233
Maintenance expense	2,072	1,804
General and administrative	2,231	2,208
Depreciation and amortization	8,209	8,963
Total operating expense	45,574	36,208
Operating income	3,587	8,722
Interest expense (net of capitalized interest of $837 and $124, respectively)	(43)	(838)
Interest income	680	114
Other income, net	58	59
Income before income taxes	4,282	8,057
Income tax provision	272	1,654
Net income	$ 4,010	$ 6,403
Basic earnings per share	$ 0.34	$ 0.76
Diluted earnings per share	$ 0.33	$ 0.74
Dividends declared per share	$ 0.11	$ 0.11

See notes to financial statements

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MARITRANS INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
($000, except per share amounts)

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005 As Adjusted (Note 2)
Revenues	$ 140,448	$ 134,800
Costs and expenses:		
Operations expense	89,132	70,518
Maintenance expense	5,894	4,623
General and administrative	6,823	10,017
Depreciation and amortization	25,267	27,179
Gain on involuntary conversion of assets	(2,868)	
Gain on sale of assets		(647)
Total operating expense	124,248	111,690
Operating income	16,200	23,110
Interest expense (net of capitalized interest of $2,255 and $643 respectively)	(425)	(2,259)
Interest income	2,119	281
Other income, net	197	4,151
Income before income taxes	18,091	25,283
Income tax provision	5,122	7,941
Net income	$ 12,969	$ 17,342
Basic earnings per share	$ 1.09	$ 2.07
Diluted earnings per share	$ 1.08	$ 2.03
Dividends declared per share	$ 0.33	$ 0.33

See notes to financial statements.

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MARITRANS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
($000)

	Nine Months Ended September 30, 2006	2005 As Adjusted (Note 2)
Cash flows from operating activities:		
Net income	$ 12,969	$ 17,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	15,355	17,162
Amortization of major maintenance costs	9,912	10,017
Expenditures for major maintenance costs	(9,499)	(8,314)
Deferred income taxes	1,160	(601)
Changes in long-term tax payable	(1,300)	(1,161)
Tax benefit on stock compensation		813
Stock compensation expense	818	673
Changes in receivables, inventories and prepaid expenses	(5,718)	(647)
Changes in current liabilities, other than debt	3,898	1,232
Changes in non-current assets and liabilities	436	1,855
Gain on involuntary conversion of assets	(2,868)	
Gain on sale of assets		(647)
Total adjustments to net income	12,194	20,382
Net cash provided by operating activities	25,163	37,724
Cash flows from investing activities:		
Proceeds from sale of marine vessels and equipment		647
Proceeds from involuntary conversion	4,000	
Purchase of marine vessels and equipment	(38,407)	(39,828)
Net cash used in investing activities	(34,407)	(39,181)
Cash flows from financing activities:		
Payment of long-term debt	(2,958)	(2,797)
Payments under revolving credit facility		(3,500)
Borrowings under revolving credit facility		5,000
Dividends declared and paid	(3,968)	(2,816)
Proceeds from exercise of stock option	45	34
Tax benefit on stock compensation	290	
Fees related to the issuance of stock	(177)	
Net cash used in financing activities	(6,768)	(4,079)
Net increase in cash and cash equivalents	(16,012)	(5,536)

Cash and cash equivalents at beginning of period	58,794	6,347
Cash and cash equivalents at end of period	$ 42,782	$ 811

See notes to financial statements

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MARITRANS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2006

1. Basis of Presentation/Organization

Maritrans Inc. owns Maritrans Operating Company L.P. (the Operating Company), Maritrans General Partner Inc., Maritrans Tankers Inc., Maritrans Barge Co., Maritrans Holdings Inc. and other Maritrans entities (collectively, the Company). These subsidiaries, directly and indirectly, own and operate oceangoing petroleum tank barges, tugboats, and tankers used to provide marine transportation services, primarily along the Gulf and Atlantic Coasts of the United States.

In the opinion of management, the accompanying consolidated financial statements of Maritrans Inc., which are unaudited (except for the Consolidated Balance Sheet as of December 31, 2005, which is derived from audited financial statements), include all adjustments (consisting of normal recurring accruals) necessary to present fairly the financial statements of the consolidated entities. Interim results are not necessarily indicative of results for a full year.

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

Certain amounts from prior period financial statements have been reclassified to conform to their current year presentation. See Note 2, Accounting Change for Planned Major Maintenance Activities, for a detailed explanation of the change and the effect on the Company s financial statements.

Pursuant to the rules and regulations of the Securities and Exchange Commission, the unaudited consolidated financial statements do not include all of the information and notes normally included with annual financial statements prepared in accordance with GAAP. These financial statements should be read in conjunction with the consolidated historical financial statements and notes thereto included in the Company s Form 10-K for the period ended December 31, 2005.

2. Accounting Change for Planned Major Maintenance Activities

As of April 1, 2006, the Company changed its method of accounting for planned major maintenance activities from the accrual method to the deferral method. Previously, the Company made provisions for the cost of upcoming major periodic overhauls of vessels and equipment in advance of performing the related maintenance and repairs. The costs expected to be paid in the upcoming year were included in accrued shipyard costs as a current liability with the remainder classified as a long-term liability. Under the deferral method, costs actually incurred are amortized on a straight-line basis over the period beginning at the completion of the maintenance event and ending at the commencement of the next scheduled regulatory drydocking. Management believes the deferral method is the preferable method for accounting for planned major maintenance activities because (i) it better matches the expenses incurred with the revenues generated, (ii) the deferral method improves comparability with the Company s industry since the majority of the Company s competitors use this method and (iii) the deferral method best fits the Company s business circumstances because the Company has a small fleet of vessels, the expenditures for planned major maintenance activities are not continuous and the expenditures are not consistent across periods due to the timing of regulatory drydockings.

The Company recorded this change in accounting principle in accordance with SFAS No. 154, *Accounting Changes and Error Corrections*, which provides guidance on the accounting for and the reporting of

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accounting changes, including changes in accounting principles. SFAS 154 is effective for accounting changes made in fiscal years beginning after December 15, 2005. SFAS 154 requires retrospective application of accounting changes which is defined as the application of a different accounting principle to prior accounting periods as if that principle had always been used.

Pursuant to SFAS No. 154, the Company is required to apply the new accounting principle to all prior periods that the Company will report upon in the Annual Report on Form 10-K for the year ended December 31, 2006. Therefore, this accounting principle was retrospectively applied to the period of January 1, 2004 and to each period thereafter. The cumulative effect of the retrospective change to this accounting principle as of January 1, 2004 was a $17.9 million increase in total assets, a $2.7 million decrease in total liabilities and a $20.6 million increase in retained earnings.

The following presents the effect of the retrospective application of this change in accounting principle on the Company s income statement and balance sheet as of and for the respective periods.

	Three Months Ended September 30, 2006 Pre Adoption	Effect of Change in Accounting Principle	Three Months Ended September 30, 2006 as Reported
Revenues	$ 49,161	$	$ 49,161
Costs and expenses:			
Operation expense	33,062		33,062
Maintenance expense	5,457	(3,385)	2,072
General and administrative	2,231		2,231
Depreciation and amortization	5,154	3,055	8,209
Total operating expenses	45,904	(330)	45,574
Operating income	3,257	330	3,587
Interest expense	(43)		(43)
Interest income	680		680
Other income, net	58		58
Income before income taxes	3,952	330	4,282
Income tax provision	153	119	272
Net income	$ 3,799	$ 211	$ 4,010
Basic earnings per share	$ 0.32	$ 0.02	$ 0.34
Diluted earnings per share	$ 0.31	$ 0.02	$ 0.33

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	Three Months Ended June 30, 2006 Pre Adoption	Effect of Change in Accounting Principle	Three Months Ended June 30, 2006 as Reported
Revenues	$ 43,903	$	$ 43,903
Costs and expenses:			
Operation expense	27,094		27,094
Maintenance expense	4,931	(3,282)	1,649
General and administrative	2,287		2,287
Depreciation and amortization	4,958	3,098	8,056
Total operating expenses	39,270	(184)	39,086
Operating income	4,633	184	4,817
Interest expense	(108)		(108)
Interest income	761		761
Other income, net	63		63
Income before income taxes	5,349	184	5,533
Income tax provision	1,862	66	1,928
Net income	$ 3,487	$ 118	$ 3,605
Basic earnings per share	$ 0.29	$ 0.01	$ 0.30
Diluted earnings per share	$ 0.29	$ 0.01	$ 0.30

	Three Months Ended March 31, 2006 as Reported	Effect of Change in Accounting Principle	Three Months Ended March 31, 2006 as Adjusted
Revenues	$ 47,384	$	$ 47,384
Costs and expenses:			
Operation expense	28,976		28,976
Maintenance expense	5,277	(3,103)	2,174
General and administrative	2,305		2,305
Depreciation and amortization	5,244	3,759	9,003
Gain on involuntary conversion of assets	(2,868)		(2,868)
Total operating expenses	38,934	656	39,590
Operating income	8,450	(656)	7,794
Interest expense	(273)		(273)
Interest income	678		678
Other income, net	76		76
Income before income taxes	8,931	(656)	8,275
Income tax provision	3,157	(236)	2,921

Net income	$	5,774	$	(420)	$	5,354
Basic earnings per share	$	0.49	$	(0.04)	$	0.45
Diluted earnings per share	$	0.48	$	(0.03)	$	0.45

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	Nine Months Ended September 30, 2006 Pre Adoption	Effect of Change in Accounting Principle	Nine Months Ended September 30, 2006 as Reported
Revenues	$ 140,448	$	$ 140,448
Costs and expenses:			
Operation expense	89,132		89,132
Maintenance expense	15,664	(9,770)	5,894
General and administrative	6,823		6,823
Depreciation and amortization	15,355	9,912	25,267
Gain on involuntary conversion of assets	(2,868)		(2,868)
Total operating expenses	124,106	142	124,248
Operating income	16,342	(142)	16,200
Interest expense	(425)		(425)
Interest income	2,119		2,119
Other income, net	197		197
Income before income taxes	18,233	(142)	18,091
Income tax provision	5,173	(51)	5,122
Net income	$ 13,060	$ (91)	$ 12,969
Basic earnings per share	$ 1.10	$ (0.01)	$ 1.09
Diluted earnings per share	$ 1.09	$ (0.01)	$ 1.08

	Three Months Ended September 30, 2005 as Reported	Effect of Change in Accounting Principle	Three Months Ended September 30, 2005 as Adjusted
Revenues	$ 44,930	$	$ 44,930
Costs and expenses:			
Operation expense	23,233		23,233
Maintenance expense	5,221	(3,417)	1,804
General and administrative	2,208		2,208
Depreciation and amortization	5,947	3,016	8,963
Total operating expenses	36,609	(401)	36,208
Operating income	8,321	401	8,722
Interest expense	(838)		(838)
Interest income	114		114
Other income, net	59		59

Income before income taxes		7,656		401		8,057
Income tax provision		1,510		144		1,654
Net income	$	6,146	$	257	$	6,403
Basic earnings per share	$	0.73	$	0.03	$	0.76
Diluted earnings per share	$	0.71	$	0.03	$	0.74

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	Nine Months Ended September 30, 2005 as Reported	Effect of Change in Accounting Principle	Nine Months Ended September 30, 2005 as Adjusted
Revenues	$ 134,800	$	$ 134,800
Costs and expenses:			
Operation expense	70,518		70,518
Maintenance expense	15,312	(10,689)	4,623
General and administrative	10,017		10,017
Depreciation and amortization	17,162	10,017	27,179
Gain on sale of assets	(647)		(647)
Total operating expenses	112,362	(672)	111,690
Operating income	22,438	672	23,110
Interest expense	(2,259)		(2,259)
Interest income	281		281
Other income, net	4,151		4,151
Income before income taxes	24,611	672	25,283
Income tax provision	7,699	242	7,941
Net income	$ 16,912	$ 430	$ 17,342
Basic earnings per share	$ 2.02	$ 0.05	$ 2.07
Diluted earnings per share	$ 1.98	$ 0.05	$ 2.03

	September 30, 2006 Pre Adoption	Effect of Change in Accounting Principle	September 30, 2006 as Reported
ASSETS			
Current assets	$ 84,387	$ (6,002)	$ 78,385
Vessels and equipment, net	255,562		255,562
Deferred costs, net		19,913	19,913
Goodwill	2,863		2,863
Other	1,372	(1,176)	196
Total assets	$ 344,184	$ 12,735	$ 356,919
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities	$ 34,812	$ (5,112)	$ 29,700
Non-current liabilities	105,264	(960)	104,304
Stockholders equity	204,108	18,807	222,915

Total liabilities and stockholders equity	$	344,184	$	12,735	$	356,919

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	December 31, 2005 as Reported	Effect of Change in Accounting Principle	December 31 2005 as Adjusted
ASSETS			
Current assets	$ 94,474	$ (6,158)	$ 88,316
Vessels and equipment, net	233,572	69	233,641
Deferred costs, net		21,405	21,405
Goodwill	2,863		2,863
Other	1,094	(883)	211
Total assets	$ 332,003	$ 14,433	$ 346,436
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities	$ 31,867	$ (6,583)	$ 25,284
Non-current liabilities	106,153	1,003	107,156
Stockholders equity	193,983	20,013	213,996
Total liabilities and stockholders equity	$ 332,003	$ 14,433	$ 346,436

	Nine Months Ended September 30, 2006 Pre Adoption	Effect of Change in Accounting Principle	Nine Months Ended September 30, 2006 as Reported
Cash flows from operating activities:			
Net income	$ 13,060	$ (91)	$ 12,969
Total adjustments to net income	12,172	22	12,194
Net cash provided by operating activities	25,232	(69)	25,163
Cash flows from investing activities:			
Net cash used in investing activities	(34,476)	69	(34,407)
Cash flows from financing activities:			
Net cash used in financing activities	(6,768)		(6,768)
Net increase in cash and cash equivalents	(16,012)		(16,012)
Cash and cash equivalents at beginning of period	58,794		58,794
Cash and cash equivalents at end of period	$ 42,782	$	$ 42,782

	Nine Months	Effect of Change in

	Ended September 30, 2005 as Reported	Accounting Principle	Nine Months Ended September 30, 2005 as Adjusted
Cash flows from operating activities:			
Net income	$ 16,912	$ 430	$ 17,342
Total adjustments to net income	20,812	(430)	20,382
Net cash provided by operating activities	37,724		37,724
Cash flows from investing activities:			
Net cash used in investing activities	(39,181)		(39,181)
Cash flows from financing activities:			
Net cash used in financing activities	(4,079)		(4,079)
Net increase in cash and cash equivalents	(5,536)		(5,536)
Cash and cash equivalents at beginning of period	6,347		6,347
Cash and cash equivalents at end of period	$ 811	$	$ 811

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	Twelve Months Ended December 31, 2005 as Reported	Effect of Change in Accounting Principle	Twelve Months Ended December 31, 2005 as Adjusted
Revenues	$ 180,710	$	$ 180,710
Costs and expenses:			
Operation expense	98,701		98,701
Maintenance expense	20,320	(14,075)	6,245
General and administrative	12,478		12,478
Depreciation and amortization	23,201	12,711	35,912
Gain on sale of assets	(628)		(628)
Total operating expenses	154,072	(1,364)	152,708
Operating income	26,638	1,364	28,002
Interest expense	(2,846)		(2,846)
Interest income	393		393
Other income, net	4,203		4,203
Income before income taxes	28,388	1,364	29,752
Income tax provision	8,509	491	9,000
Net income	$ 19,879	$ 873	$ 20,752
Basic earnings per share	$ 2.33	$ 0.10	$ 2.43
Diluted earnings per share	$ 2.28	$ 0.10	$ 2.38

	Twelve Months Ended December 31, 2005 as Reported	Effect of Change in Accounting Principle	Twelve Months Ended December 31, 2005 as Adjusted
Cash flows from operating activities:			
Net income	$ 19,879	$ 873	$ 20,752
Total adjustments to net income	19,731	(804)	18,927
Net cash provided by operating activities	39,610	69	39,679
Cash flows from investing activities:			
Net cash used in investing activities	(64,222)	(69)	(64,291)
Cash flows from financing activities:			
Net cash provided by financing activities	77,059		77,059
Net increase in cash and cash equivalents	52,447		52,447
Cash and cash equivalents at beginning of year	6,347		6,347

Cash and cash equivalents at end of year	$	58,794	$		$	58,794

	Twelve Months Ended December 31, 2004 as Reported	Effect of Change in Accounting Principle	Twelve Months Ended December 31, 2004 as Adjusted
Revenues	$ 149,718	$	$ 149,718
Costs and expenses:			
Operation expense	80,517		80,517
Maintenance expense	20,761	(13,073)	7,688
General and administrative	11,709		11,709
Depreciation and amortization	22,193	15,582	37,775
Total operating expenses	135,180	2,509	137,689
Operating income	14,538	(2,509)	12,029
Interest expense	(2,318)		(2,318)
Interest income	254		254
Other income, net	333		333
Income before income taxes	12,807	(2,509)	10,298
Income tax provision	2,975	(903)	2,072
Net income	$ 9,832	$ (1,606)	$ 8,226
Basic earnings per share	$ 1.20	$ (0.20)	$ 1.00
Diluted earnings per share	$ 1.16	$ (0.19)	$ 0.97

	Twelve Months Ended December 31, 2004 as Reported	Effect of Change in Accounting Principle	Twelve Months Ended December 31, 2004 as Adjusted
Cash flows from operating activities:			
Net income	$ 9,832	$ (1,606)	$ 8,226
Total adjustments to net income	18,578	1,606	20,184
Net cash provided by operating activities	28,410		28,410
Cash flows from investing activities:			
Net cash used in investing activities	(25,111)		(25,111)
Cash flows from financing activities:			
Net cash provided by in financing activities	(566)		(566)
Net increase in cash and cash equivalents	2,733		2,733
Cash and cash equivalents at beginning of year	3,614		3,614

Cash and cash equivalents at end of year	$	6,347	$		$	6,347

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3. Earnings Per Share

The following data show the amounts used in computing basic and diluted earnings per share (EPS):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(000 s)		(000 s)	
Income available to common stockholders used in basic EPS	$ 4,010	$ 6,403	$ 12,969	$ 17,342
Weighted average number of common shares used in basic EPS	11,897	8,411	11,884	8,384
Effect of dilutive stock options and restricted shares	171	185	165	178
Weighted number of common shares and dilutive potential common stock used in diluted EPS	12,068	8,596	12,049	8,562

4. Stock-Based Compensation

Maritrans Inc. had a stock incentive plan (the Plan), under which non-employee directors, officers and other key employees could be granted stock, stock options and, in certain cases, receive cash under the Plan. Any outstanding options granted under the Plan were exercisable at a price not less than the market value of the shares on the date of grant. The maximum aggregate number of shares available for issuance under the Plan was 1,750,000. The Plan provided for the automatic grant, on a biannual basis, of non-qualified stock options to non-employee directors. The number of options non-employee directors received was equal to two multiplied by the aggregate number of shares distributed to such non-employee director under the Plan during the preceding calendar year. In April 2003, the Plan expired. Therefore, there are no remaining shares or options reserved for grant under the plan.

In May 1999, the Company adopted the Maritrans Inc. 1999 Directors and Key Employees Equity Compensation Plan (the 99 Plan), which provides non-employee directors, officers and other key employees with certain rights to acquire common stock and stock options. The aggregate number of shares authorized for issuance under the 99 Plan was 900,000 and the shares are issued from treasury stock. Options granted under the 99 Plan are exercisable at a price not less than the market value of the shares on the date of grant. Options vest over a period of 1 to 5 years and have a contractual life of 7 to 10 years. The shares are subject to forfeiture under certain circumstances. Compensation expense, representing the fair value of the shares at the date of issuance, is amortized to general and administrative expense on a straight-line basis over the vesting period for grants that cliff vest at the end of the grant term. For grants that vest over a graded vesting period, the Company uses the accelerated attribution method.

In April 2005, the Company adopted the Maritrans Inc. 2005 Omnibus Equity Compensation Plan (2005 Plan), which also provides non-employee directors, officers and other key employees with certain rights to acquire common stock and stock options. The aggregate number of shares authorized for issuance under the 2005 Plan was 300,000 and the shares are issued from treasury stock. There are no outstanding options under the 2005 Plan. The shares are subject to forfeiture under certain circumstances. Compensation expense, representing the fair value of the shares at the date of issuance, is amortized to general and administrative expense on a straight-line basis over the vesting period for grants that cliff vest at the end of the grant term. For grants that vest over a graded vesting period the Company uses the accelerated attribution method.

The Company adopted the fair-value-based method of accounting for share-based payments effective January 1, 2003 using the prospective method described in Statement of Financial Accounting Standards (SFAS) No. 148, *Accounting for Stock-Based Compensation- Transition and Disclosure*. The Company has not granted stock options since 2003. If the Company were to issue options, the Company would use the Black-Scholes formula to estimate the value of stock options granted.

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Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), *Share-Based Payment*, SFAS 123(R) which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options based on estimated fair values. SFAS 123(R) supersedes the Company s previous accounting under SFAS 123 for periods beginning in fiscal 2006. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 SAB 107 relating to SFAS 123(R). The Company has applied the provisions of SAB 107 in its adoption of SFAS 123(R).

The Company adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of the Company s fiscal 2006 year. The Company s consolidated financial statements as of and for the three and nine months ended September 30, 2006 reflect the impact of SFAS 123(R). The effect of adopting SFAS 123(R) on net income and earnings per share was minimal compared to the prior year as the Company had already adopted the fair value recognition provisions of SFAS 123. Prior to the adoption of SFAS 123(R), the Company presented all tax benefits of deductions resulting from stock compensation as operating cash flows in the Statements of Cash Flows. In accordance with SFAS 123(R), tax benefit cash flows are now presented as financing cash flows. In accordance with the modified prospective transition method, the Company s consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R). Share-based compensation expense recorded for the nine months ended September 30, 2006 and 2005 was $818,000 and $634,000, respectively, and is included in general and administrative expenses.

The following table presents a summary of our stock options for the nine months ended September 30, 2006:

	Number of Options	Exercise Price	Weighted Average Exercise Price
Outstanding at 12/31/05	229,928	$ 5.75 - 14.20	$ 8.79
Granted			
Exercised	29,395	$ 8.55 - 14.20	$ 11.88
Cancelled or forfeited			
Expired			
Outstanding at 9/30/06	200,533	$ 5.75 - 14.20	$ 8.34
Exercisable			
December 31, 2005	171,905	$ 5.75 - 14.20	$ 6.81
September 30, 2006	184,709	$ 5.75 - 14.20	$ 6.77

During the nine months ended September 30, 2006, 29,395 shares were issued upon the exercise of options. The exercise price of these options ranged from $8.55 to $14.20. During the nine months ended September 30, 2005, 122,304 shares were issued as a result of the exercise of options. The exercise price of these options ranged from $5.375 to $14.20. The Company issues treasury shares or new shares, depending on the plan from which the original grant was made, to satisfy option exercises. The Company can not estimate the amount of future option exercises that will be made. Upon closing of the merger agreement all options will become immediately exercisable.

The fair value of restricted stock is determined based on the closing price of the Company s common stock on the grant date. The weighted average grant-date fair value of nonvested shares granted during the nine months ended September 30, 2006 was $22.94. The weighted average grant date fair value of nonvested shares granted during the nine months ended September 30, 2005 was $18.57.

The following table presents a summary of the nonvested restricted shares for the nine months ended September 30, 2006:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2005	142,900	$ 15.46
Granted	34,731	$ 22.94
Vested	47,703	$ 13.62
Cancelled or forfeited		
Nonvested at September 30, 2006	129,928	$ 18.13

As of September 30, 2006, there was $1.8 million of total unrecognized compensation costs related to nonvested share-based compensation arrangements that is expected to be recognized over the remaining vesting period which ranges from 1 to 4 years. Upon closing of the merger agreement all nonvested shares will immediately vest.

5. Income Taxes

The Company s effective tax rate differs from the federal statutory rate due primarily to state income taxes and certain nondeductible items.

The Company records reserves for income taxes based on the estimated amounts that it would likely have to pay based on its taxable net income. The Company periodically reviews its position based on the best available information and adjusts its income tax reserve accordingly. In the third quarter of 2006 and 2005, we reduced our income tax reserve by $1.3 million and $1.2 million, respectively. This decrease resulted from the restructuring of Maritrans Partners L.P. to Maritrans Inc. in 1993 and to a reduction in amounts previously recorded as liabilities that were no longer deemed to be payable. Due to the non-cash nature of the reduction, there was no corresponding effect on cash flow or income from operations.

6. Retirement Plans

Net periodic pension cost includes the following components:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	($000s)		($000s)	
Service cost of current period	$ 132	$ 111	$ 396	$ 333
Interest cost on projected benefit obligation	547	487	1,641	1,460
Expected return on plan assets	(502)	(509)	(1,506)	(1,528)
Amortization of prior service cost	42	35	126	104
Net periodic pension cost	$ 219	$ 124	$ 657	$ 369

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7. Contingencies

In the ordinary course of its business, claims are filed against the Company for alleged damages in connection with its operations. Claims arising from the ordinary course of its business are marine-related claims, lawsuits and labor arbitrations. Marine-related claims are covered by insurance, subject to applicable policy deductibles that are not material as to any type of insurance coverage. Management is of the opinion that the ultimate outcome of such claims outstanding at September 30, 2006 will not have a material adverse effect on the Company s financial condition and results of operations.

The Company has been named in approximately 164 cases in which individuals alleged unspecified damages for exposure to asbestos and, in most of these cases, tobacco smoke. The status of many of these claims is uncertain. Although the Company believes these claims are without merit, it is impossible at this time to predict the final outcome of any such suit and therefore the Company has not recorded a loss contingency with respect to these claims. Management believes that any material liability would be adequately covered by applicable insurance and would not have a material adverse effect on the Company s financial condition and results of operations.

8. Loss of Vessel

On January 18, 2006, the seagoing tug VALOUR, owned and operated by an indirect wholly owned subsidiary of Maritrans Inc., sank off of Cape Fear, North Carolina. Three crew members lost their lives in the incident. The VALOUR was towing the tank barge M192, a double-hulled petroleum barge that is also owned and operated by an indirect wholly owned subsidiary of Maritrans Inc. The cause of the sinking is undetermined and is under investigation. The VALOUR is covered by the Company s hull insurance policy and costs of the incident are covered by the Company s protection and indemnity insurance. Hull insurance proceeds of approximately $4.0 million were received in the first quarter of 2006, which exceed the carrying value of the tugboat of approximately $1.1 million, resulting in a $2.9 million gain recorded in the Company s Consolidated Statements of Income. Estimated insurance recoveries and costs related to protection and indemnity expenses are recorded as current assets and current liabilities, respectively, on the Company s Consolidated Balance Sheets.

9. Impact of Recent Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes- an interpretation of SFAS No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements in accordance with SFAS 109 and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, with early adoption permitted. We will adopt FIN 48 in fiscal 2007 and are currently evaluating whether the adoption of FIN 48 will have a material effect on our financial condition or results of operations.

In September 2006, the FASB issued SFAS No. 158, *Accounting for Defined Benefit Pension and other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R),* which improves financial reporting by requiring the recognition of the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity. SFAS 158 also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. SFAS 158 is effective for fiscal years ending after December 15, 2006. We will adopt SFAS 158 in fiscal 2006 and are currently evaluating the effects of adopting this statement.

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10. Merger Announcement

On September 25, 2006, the Company announced that it had entered into a definitive merger agreement with Overseas Shipholding Group, Inc. (OSG) pursuant to which OSG will acquire Maritrans Inc. Under the terms of the merger agreement, OSG will acquire Maritrans in an all-cash transaction for $37.50 per share. The transaction is valued at approximately $455 million based on approximately 12 million shares outstanding and the assumption of net debt outstanding as of June 30, 2006. The transaction, which is expected to close by year-end 2006, is subject to approval by a majority of Maritrans stockholders and other customary closing conditions, including regulatory approvals. On October 17, 2006, the Federal Trade Commission, on behalf of itself and the Antitrust Division of the Department of Justice, granted early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976 with respect to the proposed transaction. The special meeting of Maritrans stockholders, to consider the proposed transaction has been scheduled for November 28, 2006. Stockholders of record at the close of business on October 20, 2006 will be entitled to vote at the meeting.

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

Forward Looking Information

Certain statements in this Quarterly Report on Form 10-Q, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, including statements made with respect to present or anticipated utilization, future revenues and customer relationships, capital expenditures, future financings, and other statements regarding matters that are not historical facts, and involve predictions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, growth, performance, earnings per share or achievements to be materially different from any future results, levels of activity, growth, performance, earnings per share or achievements expressed in or implied by such forward-looking statements. In some cases you can identify forward-looking statements by terminology such as may, seem, should, believe, future, potential, estimate, offer, oppo growth, expect, intend, plan, focus, through, strategy, provide, meet, allow, represent, comm result, seek, increase, establish, work, perform, make, continue, can, will, include, or the nega comparable terminology. These forward-looking statements inherently involve certain risks and uncertainties, although they are based on our current plans or assessments that are believed to be reasonable as of the date of this prospectus. The forward-looking statements are subject to a number of risks and uncertainties including those discussed herein under Risk Factors and include the following:

- satisfaction of the conditions to closing of the proposed merger with OSG;
- demand for, or level of consumption of, oil and petroleum products;
- future spot market charter rates;
- ability to attract and retain experienced, qualified and skilled crewmembers;
- competition that could affect our market share and revenues;
- risks inherent in marine transportation;
- the cost and availability of insurance coverage;
- delays or cost overruns in the building of new vessels, the double-hulling of our remaining single-hull vessels and scheduled shipyard maintenance;
- decrease in demand for lightering services;
- environmental and regulatory conditions;
- reliance on a limited number of customers for revenue;
- the continuation of federal law restricting United States point-to-point maritime shipping to US vessels (the US Jones Act);
- asbestos related lawsuits;
- fluctuating fuel prices;
- high fixed costs;

capital expenditures required to operate and maintain a vessel may increase due to government regulations;

reliance on unionized labor;

federal laws covering our employees that may subject us to job-related claims; and

significant fluctuations of our stock price.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. These forward-looking statements represent our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q. Except for our ongoing obligations to disclose material information under the federal securities laws, we are not obligated to update these forward-looking statements, even though our situation may change in the future. We qualify all of our forward-looking statements by these cautionary statements.

The following discussion should be read in conjunction with the unaudited financial statements and notes thereto included in Part I Item 1 of this Form 10-Q and the audited financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2005 contained in our Annual Report on Form 10-K for the year ended December 31, 2005.

Overview

We primarily serve the oil and petroleum industries by providing marine transportation services along the Gulf and Atlantic Coasts of the United States. We operate the largest OPA-compliant double-hulled fleet in our vessel size range and one of the largest fleets serving the US coastwise trade. As of September 30, 2006, we employed a fleet of 11 tugs, 11 barges and five tankers. One of these vessels, our tanker ALLEGIANCE, was redeployed to the transportation of non-petroleum cargo in 2005. In July 2006, our tanker PERSEVERANCE reached her OPA retirement date and was redeployed to the transportation of non-petroleum cargo. In August 2005, we entered into a three-year time charter for the SEABROOK, a single-hull tanker owned and operated by Seabrook Carriers Inc., a wholly owned subsidiary of Fairfield-Maxwell Ltd. of New York. The vessel joined the fleet in November 2005 and was deployed in the clean products trade. In May 2006, we entered into a 20 month time charter for the SEA SWIFT, a 6,000 horsepower tug-boat owned by Crowley Marine. The vessel joined the fleet in June 2006 and was deployed in the clean products trade. In September 2005, we entered into a shipbuilding contract with Bender Shipbuilding & Repair Co., Inc. (Bender) to build three articulated tug barge units, each having a carrying capacity of 335,000 barrels. In May 2006, we entered into a shipbuilding contract with Bender to build two 8,000-horsepower tugboats. Approximately 75% of our oil carrying fleet capacity is double-hulled. Our largest vessel has a capacity of approximately 410,000 barrels and our current oil carrying fleet capacity aggregates approximately 3.4 million barrels. For each of the last five years, we have transported over 173 million barrels of crude oil and petroleum products for our customers.

We provide marine transportation services for refined petroleum and petroleum products, or clean oil, from refineries located primarily in Texas, Louisiana and Mississippi to distribution points along the Gulf and Atlantic Coasts, generally south of Cape Hatteras, North Carolina and particularly into Florida, and, to a lesser extent, to the West Coast. We are currently a leading transporter of clean oil into Florida. We also provide lightering services primarily to refineries on the Delaware River. Many factors affect the number of barrels we transport and may affect our future results. Such factors include our vessel and fleet size and average trip lengths, the continuation of federal law restricting United States point-to-point maritime shipping to US vessels under the US Jones Act, domestic oil consumption, environmental laws and regulations, oil companies decisions as to the type and origination point of the crude oil that they process, changes in the amount of imported petroleum products, competition, the cost of fuel use in our vessels, labor and training costs, liability insurance costs and maintenance costs.

Demand for our services is driven primarily by the demand for refined petroleum products in Florida and the Northeastern US and crude oil in the Northeastern US. This demand is impacted by domestic consumption of petroleum products, US refining levels, product inventory levels and weather conditions in the Northeast. In addition, competition from foreign imports of refined petroleum products in our primary markets, as well as demand for refined petroleum product movements from the Gulf Coast refining system to the West Coast also impact demand for our services.

Since 1998, we have converted six of our original nine single-hulled barges to double-hull configurations utilizing our patented double-hulling process, which allows us to convert our single-hulled barges to double-hulls for significantly less cost and in approximately half the time required to build new vessels. In addition, we have entered into contracts to rebuild our seventh and eighth single-hull barges to double-hull configurations, including the insertion of a 38,000-barrel mid-body to each, at a total cost of approximately $30 million per barge. Our seventh barge, the M210, entered the shipyard in January 2006 to begin her rebuild and is expected to return to service in the fourth quarter of 2006.

On January 18, 2006, our seagoing tug, VALOUR, sank off the coast of Cape Fear, North Carolina. Three crew members lost their lives in the incident. At the time of the incident, the VALOUR was transporting the tank barge M192, a double-hull petroleum barge. Since that time the M192 returned to service accompanied by another tugboat that we own. In June 2006, we chartered a tugboat to replace the VALOUR until the construction of a replacement tugboat is completed. We continue to work with the US Coast Guard on the investigation into the cause of the VALOUR incident. The VALOUR is covered by our hull insurance policy and costs of the incident are covered by protection and indemnity insurance carried by us. Hull insurance proceeds of approximately $4.0 million, which exceed the carrying value of the tugboat of approximately $1.1 million, were received in the first quarter of 2006. Estimated insurance recoveries and costs related to protection and indemnity expenses are recorded as current assets and current liabilities, respectively, on our Consolidated Balance Sheets.

As of April 1, 2006, the Company changed its method of accounting for planned major maintenance activities from the accrual method to the deferral method. Previously, the Company made provisions for the cost of upcoming major periodic overhauls of vessels and equipment in advance of performing the related maintenance and repairs. The costs expected to be paid in the upcoming year were included in accrued shipyard costs as a current liability with the remainder classified as a long-term liability. Under the deferral method, costs actually incurred are amortized on a straight-line basis over the period beginning at the completion of the maintenance event and ending at the commencement of the next scheduled regulatory drydocking. See Note 2, Accounting Change for Planned Major Maintenance Activities, for a detailed explanation of the change and the effect on the Company s financial statements.

On September 25, 2006, the Company, Overseas Shipholding Group, Inc. (OSG) and Marlin Acquisition Corporation, a wholly owned subsidiary of OSG (Merger Sub), entered into an Agreement and Plan of Merger (the Merger Agreement). The Merger Agreement provides for a business combination whereby Merger Sub will merge with and into the Company (the Merger). As a result of the Merger, the separate corporate existence of Merger Sub will cease and the Company will continue as the surviving corporation in the Merger. Under the terms of the Merger Agreement, OSG will acquire the Company in an all-cash transaction for $37.50 per share. The transaction is valued at approximately $455 million based on approximately 12 million shares outstanding and the assumption of net debt outstanding as of June 30, 2006. The transaction, which is expected to close by year-end 2006, is subject to approval by a majority of the Company s stockholders and other customary closing conditions, including regulatory approvals. On October 17, 2006, the Federal Trade Commission, on behalf of itself and the Antitrust Division of the Department of Justice, granted early termination of the waiting period under the Hart-Scott-Rodino Antitrust

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Improvement Act of 1976 with respect to the proposed transaction. We have set a special meeting date of our stockholders on November 28, 2006 to approve the Merger and expect to close the Merger shortly thereafter. There can be no assurance that the Merger will be consummated. All statements in this report with respect to the nature and needs of our business, its financial prospects and its risks and future development are made based on the assumption that we will be an independently publicly owned company going forward and, therefore, must be considered in light of the pending Merger and the prospects for its consummation.

Definitions

In order to facilitate your understanding of the disclosure contained in the results of operations, the following are definitions of some commonly used industry terms used herein:

Available days refers to the number of days the fleet was not out of service for maintenance or other operational requirements and therefore was available to work.

Barge rebuild program refers to our program to rebuild our single-hull barges to a double-hull configuration to conform with OPA utilizing our patented process of computer assisted design and fabrication.

CAP refers to the Condition Assessment Program of ABS Consulting, a subsidiary of the American Bureau of Shipping, which evaluates a vessel s operation, machinery, maintenance and structure using the ABS Safe Hull Criteria. A CAP 1 rating indicates that a vessel meets the standards of a newly built vessel.

Cargo refers to the products transported by our vessels.

Clean oil refers to refined petroleum products.

Jones Act refers to the federal law restricting United States point-to-point maritime shipping to vessels built in the United States, owned by U.S. citizens and manned by U.S. crews.

Lightering refers to the process of off-loading crude oil or petroleum products from deeply laden inbound tankers into smaller tankers and/or barges.

OPA refers to the Oil Pollution Act of 1990 which is a federal law prohibiting the operation of singe-hull vessels in U.S. waters based on a retirement schedule that began on January 1, 1995 and ends on January 1, 2015.

Revenue days refers to the number of days the fleet was working for customers.

Spot market refers to a term describing a one-time, open-market transaction where transportation services are provided at current market rates.

Superbarge refers to a barge with a carrying capacity in excess of 150,000 barrels.

Term contract refers to a contract with a customer for specified services over a specified period for a specified price.

Time Charter Equivalent (TCE) refers to the measure where direct voyage costs are deducted from revenue. TCE yields a measure that is comparable regardless of the type of contract utilized.

Vessel utilization refers to the ratio, expressed as a percentage, of the days the fleet worked and is calculated as the number of revenue days divided by the number of calendar days, each in a specified time period.

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Voyage costs refer to the expenses incurred for fuel and port charges.

Results of Operations

To supplement our financial statements prepared in accordance with GAAP, we use the financial measure of TCE. We enter into various types of charters, some of which involve the customer paying substantially all voyage costs, while other types of charters involve us paying some or substantially all of the voyage costs. We have presented TCE in this discussion to enhance an investor s overall understanding of the way management analyzes financial performance. Specifically, management uses the presentation of TCE revenue to allow for a more meaningful comparison of our financial condition and results of operations because TCE revenue essentially nets the voyage costs and voyage revenue to yield a measure that is comparable between periods regardless of the types of contracts utilized. These voyage costs are included in the Operations expense line item on the Consolidated Statements of Income. TCE revenue is a non-GAAP financial measure and a reconciliation of TCE revenue to revenue, the most directly comparable GAAP measure, is set forth below. The presentation of this additional information is not meant to be considered in isolation or as a substitute for results prepared in accordance with GAAP.

Three Month Comparison

Revenues

TCE revenue for the quarter ended September 30, 2006 compared to the quarter ended September 30, 2005 was as follows:

	September 30, 2006	September 30, 2005
Voyage revenue	$ 49,161	$ 44,930
Voyage costs	14,210	10,095
Time Charter Equivalent	$ 34,951	$ 34,835
Vessel utilization	77.2%	83.8%
Available days	1,253	1,250
Revenue days	1,137	1,156

TCE revenue increased from $44.9 million for the quarter ended September 30, 2005 to $49.2 million for the quarter ended September 30, 2006, an increase of $4.3 million, or 10%, due primarily to higher spot market rates and an increase in the number of vessels utilized.

Rates

Voyage revenue consists of revenue generated under term contracts as well as revenue generated for spot market transportation, which includes both petroleum and non-petroleum. Rates in each of these markets are significant drivers in the amount of revenue we generate.

Contract revenue for the third quarter of 2005 was $33.0 million compared to $32.1 million for the third quarter of 2006. The decrease in contract revenue resulted from lower lightering volumes partially offset by higher rates from Gulf Coast deployments.

Spot market revenue for the third quarter of 2005 was $11.9 million compared to $13.0 million for the third quarter of 2006. This increase was caused by higher spot market rates due to fewer vessels available in the market. We did not experience any idle days in our spot fleet in the third quarter of 2006 as compared to 17 days in the same quarter of 2005.

We expect significant idle time in the spot market fleet in October 2006 due to refinery turnarounds. We expect spot market rates will continue to increase during the remainder of 2006 as more refinery output is being produced and is available to move, combined with strong product demand in the markets we serve. In addition, the supply of Jones Act vessels will decline through the first half of 2007 with five vessels, owned by our competitors, reaching their OPA retirement dates and the addition of four vessels during this period. We expect our exposure to the spot market in the remainder of 2006 to be generally consistent with our exposure in 2005. Although spot market exposure inherently brings with it potential for reduced utilization and revenues, we believe that anticipated market demand and the continuing reduction in the size of the US Jones Act fleet lessens this risk.

Non-petroleum revenue consists of revenue from the ALLEGIANCE, which reached her OPA retirement date in late 2005, and the PERSEVERANCE, which reached her OPA retirement date, early in the third quarter of 2006 and both of which were redeployed to the transportation of non-petroleum cargo. We experienced 23 days of idle time for the ALLEGIANCE and 40 days of idle time for the PERSEVERANCE in the third quarter of 2006 awaiting orders. Non-petroleum revenue was $4.1 million for the third quarter of 2006.

Utilization

Vessel utilization is also a driver in the amount of revenue we generate. Utilization decreased from 83.8% in the third quarter of 2005 to 77.2% for the third quarter of 2006. Vessel utilization was down from the third quarter of 2005 due to an increase in days awaiting orders principally in the grain fleet and the shipyarding of the M 210 for her double-hull rebuild. The M210 is expected to return to service early in 2007 renamed the M242. Upon completion of the M210, the OCEAN 211 will enter the shipyard for her double-hull rebuild. The OCEAN 211 is expected to return to service in the late summer of 2007 renamed the M243. These are the seventh and eighth barges to be rebuilt since the inception of our rebuilding program in 1998.

We incurred approximately 203 days of out of service time for maintenance and capital projects, including barge rebuilding, during the third quarter of 2006 compared to 123 days in the third quarter of 2005. In the third quarter of 2005, we experienced four significant storms that resulted in approximately 49 days out of service time. In the third quarter of 2006, we did not experience any days out of service time due to storm activity.

We expect to have at least 92 days out of service time during the fourth quarter of 2006 compared to 203 days in the current period, which includes scheduled maintenance and double-hull rebuilding but not unscheduled out of service time. Late in the fourth quarter the PERSEVERANCE and the ALLEGIANCE will return from their grain voyages and we anticipate these vessels will remain idle approximately 15 days each.

Barrels of cargo transported decreased from 43 million for the third quarter of 2005 to 42 million for the third quarter of 2006. Barrels transported decreased primarily due to the aforementioned reduction in lightering volumes in 2006.

Operations expense

Voyage costs increased from $10.1 million for the third quarter of 2005 to $14.2 million for the third quarter of 2006 an increase of $4.1 million, or 41.0%. The cost of fuel used in our vessels increased $3.5 million, or 51.4%, compared to the same period in 2005. Gallons used were 21% greater than the same period in 2005, while the average cost per gallon increased 24.6%. Port charges increased $0.6 million, or 17.9%.

Operations expenses, excluding voyage costs discussed above, increased from $13.1 million for the third quarter of 2005 to $18.9 million for the third quarter of 2006, an increase of $5.8 million, or 44.3%. During the fourth quarter of 2005, the SEABROOK entered service for us in the clean product trade and in the second quarter of 2006 the SEA SWIFT entered service for us as a chartered tugboat to replace the VALOUR. Costs related to these charters in the third quarter of 2006 were $3.1 million. Vessel related insurance costs increased $1.3 million compared to the same period of 2005 due to additional premiums for open policy periods from 2004 through 2006 due to a general call on all policyholders by our mutual insurance club. Crew expenses increased $0.8 million due to seagoing salary and benefit increases as well an increased number of crewmembers compared to the same period in 2005. Shoreside support expenses increased $0.6 million primarily due to increased headcount.

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Maintenance expense

Maintenance expense increased from $1.8 million for the third quarter of 2005 to $2.1 million for the third quarter of 2006, an increase of $0.3 million, or 16.7%, primarily due to an increase in unscheduled maintenance for our fleet.

General and Administrative expense

General and administrative expenses were consistent at $2.2 million for the third quarter of 2005 and 2006.

Operating Income

As a result of the aforementioned changes in revenue and expenses, operating income decreased from $8.7 million for the third quarter of 2005 to $3.6 million for the third quarter of 2006, a decrease of $5.1 million, or 58.6%.

Income Tax Provision

Income tax provision decreased from $1.7 million for the third quarter of 2005 to $0.3 million for the third quarter of 2006, a decrease of $1.4 million, or 82.4%. We record reserves for income taxes based on the estimated amounts that we will likely have to pay based on our taxable income. We periodically review our position based on the best available information and adjust our income tax reserve accordingly. In the third quarter of 2006 and 2005, we reduced our income tax reserve by $1.3 million and $1.2 million, respectively. This decrease resulted from the restructuring of Maritrans Partners L.P. to Maritrans Inc. in 1993 and to a reduction in amounts previously recorded as liabilities that were no longer deemed to be payable. Due to the non-cash nature of the reduction, there was no corresponding effect on cash flow or income from operations.

Net Income

Net income decreased from $6.4 million for the third quarter of 2005 to $4.0 million for the third quarter of 2006, a decrease of $2.4 million, or 37.5%, as a result from the aforementioned changes in revenue and expenses.

Nine Month Comparison

Revenues

TCE revenue for the nine months ended September 30, 2006 compared to the nine months ended September 30, 2005 was as follows:

	September 30, 2006	September 30, 2005
Voyage revenue	$ 140,448	$ 134,800
Voyage costs	36,219	30,691
Time Charter Equivalent	$ 104,229	$ 104,109
Vessel utilization	78.0%	82.5%
Available days	3,869	3,642
Revenue days	3,409	3,379

TCE revenue increased from $134.8 million for the nine months ended September 30, 2005 to $140.4 million for the nine months ended September 30, 2006, an increase of $5.6 million or 4.2%. This increase resulted from higher contract and spot market rates.

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Rates

Voyage revenue consists of revenue generated under term contracts as well as revenue generated for spot market transportation, which includes both petroleum and non-petroleum. Rates in each of these markets are significant drivers in the amount of revenue we generate.

Contract revenue for the nine months ended September 30, 2005 was $96.4 million compared to $97.0 million for the nine months ended September 30, 2006. The increase in contract revenue resulted from higher rates and deployment in the Gulf Coast market offsetting lower lightering volumes moved for Delaware River refineries.

Spot market revenue for the nine months ended September 30, 2005 was $38.4 million compared to $32.2 million for the nine months ended September 30, 2006. This decrease was caused by lower utilization, as discussed below, experienced by our spot fleet in the first half of 2006. Refinery production in the Gulf of Mexico during the nine months of 2006 was lower than the nine months of 2005. The decreased production was driven by lower production at a number of Gulf refineries impacted by the 2005 hurricane season and shut-downs for maintenance and retooling to prepare for the new ultra low sulfur diesel specifications. The decreased level of refinery production resulted in an increase in the volume of imported products moved by foreign flag vessels and a decrease in the volume of cargo we carried. Due to these factors, we experienced 132 days of out of service for idle time in our spot fleet during the first nine months of 2006 as compared to 29 days during the 2005 period.

Non-petroleum revenue consists of revenue from the ALLEGIANCE which reached her OPA retirement date late in 2005 and the PERSEVERANCE which reached her OPA retirement date early in the third quarter of 2006, and are currently working in the grain trade. Due to the cyclical nature of the grain market, we experienced 112 days of out of service for idle time for the ALLEGIANCE and the PERSEVERANCE in the nine months ended September 30, 2006. Non-petroleum revenue was $11.2 million for the nine months ended September 30, 2006. Both of these vessels are currently embarked on grain cargos and are scheduled to discharge and return to the US late in the fourth quarter.

Utilization

Vessel utilization is also a driver in the amount of revenue we generate. Utilization decreased from 82.5% in the nine months ended September 30, 2005 to 78.0% for the nine months ended September 30, 2006. In January 2006, the M210 entered the shipyard for her double-hull rebuild. The M210 is expected to return to service early in 2007 renamed the M242. Upon completion of the M210, the OCEAN 211 will enter the shipyard for her double-hull rebuild. The OCEAN 211 is expected to return to service in the late summer of 2007 renamed the M243. These are the seventh and eighth barges to be rebuilt since the inception of our rebuilding program in 1998.

We incurred approximately 451 days of out of service time for planned maintenance and capital projects, including barge rebuilding, during the nine months ended September 30, 2006 compared to 422 days in the nine months ended September 30, 2005. In the nine months ended September 30, 2006, we also incurred 132 days of out of service time for idle time in our spot fleet due to refinery outages and maintenance noted above in our discussion of rates. This compares to 29 days out of service time for idle time for the nine months ended September 30, 2005. In the nine months ended September 30, 2005, we experienced five significant storms that resulted in approximately 54 days out of service time. In the nine months ended September 30, 2006, we did not experience any days out of service time due to storm activity.

In the Delaware River lightering market, there were three refineries undergoing scheduled maintenance for a portion of the first quarter and early part of the second quarter of 2006, as well as changes in the crude oil sourcing patterns of two lightering customers. As a result, barrels delivered to our crude-oil lightering customers during the nine months ended September 30, 2006 decreased compared to the nine months ended September 30, 2005.

Barrels of cargo transported decreased from 132 million for the nine months ended September 30, 2005 to 126 million for the nine months ended September 30, 2006. Barrels transported decreased primarily due to the aforementioned reduction in lightering volumes in 2006.

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Operations expense

Voyage costs increased from $30.7 million for the nine months ended September 30, 2005 to $36.2 million for the nine months ended September 30, 2006 an increase of $5.5 million, or 17.9%. The cost of fuel used in our vessels increased $4.5 million, or 20.9%, compared to the same period in 2005. The average price of fuel increased 25.0%, while gallons used were 3.3% lower than the same period of 2005. Port charges increased $1.1 million, or 11.4%, principally due to the redeployment of the ALLEGIANCE in 2005 and the PERSEVERANCE in 2006 to the grain trade partially offset by days out of service for idle time in our non-petroleum and spot fleets.

Operations expenses, excluding voyage costs discussed above, increased from $39.8 million for the nine months ended September 30, 2005 to $52.9 million for the nine months ended September 30, 2006, an increase of $13.1 million, or 32.9%. During the fourth quarter of 2005, the SEABROOK entered service for us in the clean products trade and in the second quarter of 2006, the SEA SWIFT entered service for us as a chartered tugboat to replace lost tugboat capacity. Costs related to these charters in the nine months ended September 30, 2006 were $8.6 million. Crew expenses increased $2.3 million due to seagoing salary, benefit increases and increased number of crew members compared to the same period last year. Shoreside support expenses increased $1.4 million, primarily as a result of an increase in personnel and employment related expenses and professional fees compared to the same period in 2005. Vessel related insurance costs increased $0.8 million compared to the same period in 2005 due to additional premiums for open policy periods from 2004 through 2006 due to a general call on all policy holders by our mutual insurance club.

Maintenance expense

Maintenance expense increased from $4.6 million for the nine months ended September 30, 2005 to $5.9 million for the nine months ended September 30, 2006, an increase of $1.3 million, or 28.3%, primarily due to the increase of unscheduled maintenance for the first nine months of 2006 compared to 2005.

General and Administrative expense

General and administrative expenses decreased from $10.0 million for the nine months ended September 30, 2005 to $6.8 million for the nine months ended September 30, 2006, a decrease of $3.2 million, or 32.0%. In the first quarter of 2005, Stephen Van Dyck retired as Executive Chairman of our Board of Directors. As a result, in the first quarter of 2005 we recorded a $2.4 million charge related to a consulting agreement and the acceleration of Mr. Van Dyck s enhanced retirement benefit. The remaining decreases from 2005 were related to reductions in professional fees, most of which were incurred in connection with patent litigation occurring during 2005. The litigation was subsequently settled in May 2005.

Gain on Sale and Involuntary Conversion of Assets

Gain on sale of assets for the first quarter of 2005 of $0.6 million consisted of a pre-tax gain on the sale of a tug, the Port Everglades, which had been idle and not operating as a core part of our fleet.

On January 18, 2006, our sea-going tug, VALOUR, sank off the coast of Cape Fear, North Carolina. The VALOUR was covered by a hull insurance policy and costs of the incident were covered by protection and indemnity insurance. Hull insurance proceeds of approximately $4.0 million, which exceeded the carrying value of the tugboat of $1.1 million for a gain of $2.9 million, were received in the first quarter of 2006.

Operating Income

As a result of the aforementioned changes in revenue and expenses, operating income decreased from $23.1 million for the nine months ended September 30, 2005 to $16.2 million for the nine months ended September 30, 2006, a decrease of $6.9 million, or 29.9%.

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Other Income

Other income for the nine months ended September 30, 2005 included a $4.0 million settlement received from Penn Maritime Inc. and Penn Tug & Barge Inc. (together Penn Maritime) on our claim for patent infringement and misappropriation of trade secrets. Penn Maritime agreed to pay us $4.0 million to settle all of our claims, and received a license to use our patented double-hulling process on their then existing fleet. We did not have any similar transactions in 2006.

Income Tax Provision

Income tax provision decreased from $7.9 million for the nine months ended September 30, 2005 to $5.1 million for the nine months ended September 30, 2006, a decrease of $2.8 million, or 35.4%. We record reserves for income taxes based on the estimated amounts that we will likely have to pay based on our taxable income. We periodically review our position based on the best available information and adjust our income tax reserve accordingly. In the third quarter of 2006 and 2005, we reduced our income tax reserve by $1.3 million and $1.2 million, respectively. This decrease resulted from the restructuring of Maritrans Partners L.P. to Maritrans Inc. in 1993 and to a reduction in amounts previously recorded as liabilities that were no longer deemed to be payable. Due to the non-cash nature of the reduction, there was no corresponding effect on cash flow or income from operations.

Net Income

Net income decreased from $17.3 million for the nine months ended September 30, 2005 to $13.0 million for the nine months ended September 30, 2006, a decrease of $4.3 million, or 24.9%, resulting from the aforementioned changes in revenue and expenses.

Liquidity and Capital Resources

General

For the nine months ended September 30, 2006, net cash provided by operating activities was $25.2 million. These funds were sufficient to meet debt service obligations and loan agreement covenants, to make capital improvements and to allow us to pay dividends for the first nine months of 2006. We believe funds provided by operating activities, augmented by our Revolving Credit Facility, described below, the proceeds from our December 2005 common stock offering and investing activities, will be sufficient to finance operations, routine capital expenditures, lease payments and required debt repayments in the foreseeable future. Dividends are authorized at the discretion of our Board of Directors and under the terms of the merger agreement with OSG, no dividend will be declared or paid in the fourth quarter. The ratio of debt to total capitalization was 0.20:1 at September 30, 2006.

On December 14, 2005, we sold 3,000,000 shares of our common stock under our shelf registration statement in an underwritten public offering at $26 per share. On December 28, 2005, we issued an additional 450,000 shares at $26 per share upon the exercise of the underwriters over-allotment option. Proceeds from the equity offering were approximately $84.5 million after underwriters discounts and commissions and expenses.

Debt Obligations and Borrowing Facility

At September 30, 2006, we had $56.4 million in total outstanding debt, which is secured by mortgages on some of our fixed assets. The current portion of this debt at September 30, 2006 was $4.1 million.

We have a revolving credit facility (Revolving Credit Facility) with Citizens Bank and a syndicate of other financial institutions (Lenders). Pursuant to the terms of the amended credit and security agreement, we may borrow up to $60 million under the Revolving Credit Facility and have the ability to increase that amount to $120

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million through additional bank commitments in the future. Interest is variable based on either the LIBOR rate plus an applicable margin (as defined in the Revolving Credit Facility) or the prime rate. The amended Revolving Credit Facility expires in October 2010. We have granted first preferred ship mortgages and a first security interest in some of our vessels and other collateral in connection with the Revolving Credit Facility. At September 30, 2006, there were no amounts outstanding under the Revolving Credit Facility. The Revolving Credit Facility requires us to maintain our properties in a specific manner, maintain specified insurance on our properties and business, and abide by other covenants which are customary with respect to such borrowings. The Revolving Credit Facility also requires us to meet certain financial covenants. If we fail to comply with any of the covenants contained in the Revolving Credit Facility, the Lenders may declare the entire balance outstanding, if any, immediately due and payable, foreclose on the collateral and exercise other remedies under the Revolving Credit Facility. We were in compliance with all covenants at September 30, 2006.

We have additional financing agreements consisting of (1) a $7.3 million term loan with Lombard US Equipment Financing Corp. with a 5-year amortization that accrues interest at an average fixed rate of 5.14% (Term Loan A) and (2) a $29.5 million term loan with Fifth Third Bank with a 9.5-year amortization and a 50% balloon payment at the end of the term (Term Loan B). Term Loan B accrues interest at an average fixed rate of 5.98% on $6.5 million of the loan and 5.53% on $23.0 million of the loan. Principal payments on Term Loan A are required on a quarterly basis and began in January 2004. Principal payments on Term Loan B are required on a monthly basis and began in November 2003. We have granted first preferred ship mortgages and a first security interest in some of our vessels and other collateral to Lombard US Equipment Financing Corp. and Fifth Third Bank as a guarantee of the loan agreements. The loan agreements require us to maintain our properties in a specific manner, maintain specified insurance on our properties and business, and abide by other covenants, which are customary with respect to such borrowings. The loan agreements also require us to meet certain financial covenants that began in the quarter ended December 31, 2003. If we fail to comply with any of the covenants contained in these loan agreements, Lombard US Equipment Financing Corp. and Fifth Third Bank may call the entire balance outstanding on the loan agreements immediately due and payable, foreclose on the collateral and exercise other remedies under the loan agreements. We were in compliance with all such covenants at September 30, 2006.

In June 2004, we entered into an additional $29.5 million term loan with Fifth Third Bank (Term Loan C). Term Loan C has a 9.5-year amortization and a 55% balloon payment at the end of the term and accrues interest at a fixed rate of 6.28%. A portion of the proceeds of Term Loan C were used to pay down existing borrowings under the Revolving Credit Facility. Principal payments on Term Loan C are required on a monthly basis and began in August 2004. We have granted first preferred ship mortgages and a first security interest in the M214 and its married tugboat, the HONOUR, to secure Term Loan C. Term Loan C requires us to maintain the collateral in a specific manner, maintain specified insurance on our properties and business, and abide by other covenants which are customary with respect to such borrowings. If we fail to comply with any of the covenants contained in Term Loan C, Fifth Third Bank may foreclose on the collateral or call the entire balance outstanding on Term Loan C immediately due and payable. We were in compliance with all applicable covenants at September 30, 2006.

As of September 30, 2006, we had the following amounts outstanding under our debt agreements:

$3.5 million under Term Loan A;

$25.8 million under Term Loan B; and

$27.1 million under Term Loan C.

Contractual Obligations

Total future commitments and contingencies related to our outstanding debt obligations, noncancellable operating leases and purchase obligations, as of September 30, 2006, were as follows:

	($000s)				
	Total	Less than one year	One to three years	Three to five years	More than five years
Debt Obligations	$ 56,414	$ 4,144	$ 7,757	$ 6,479	$ 38,034
Operating Leases	2,055	554	1,163	338	
Purchase Obligations*	243,328	119,056	124,272		
Total	$ 301,797	$ 123,754	$ 133,192	$ 6,817	$ 38,034

* Purchase obligations represent amounts due under existing vessel rebuild contracts, new ATB build contracts and new tugboat contracts.

In July 2005, we awarded contracts to rebuild the M210 and the OCEAN 211 to double-hull configurations. These are our seventh and eighth single-hulled barges to be rebuilt to double-hull configurations. The rebuild of the M210 is expected to have a total cost of approximately $30.0 million; of which $24.0 million is a fixed contract with the shipyard and the remainder of the equipment is to be furnished by us. The rebuild of the OCEAN 211 is also expected to have a total cost of approximately $30.0 million; of which $23.0 million is a fixed contract with the shipyard and the remainder of the equipment is to be furnished by us. The rebuilds of the M210 and OCEAN 211 will also include the insertions of mid-bodies that will increase their capacity by approximately 38,000 barrels each. We expect to finance the projects with a combination of internally generated funds and borrowings under our Revolving Credit Facility, proceeds from the equity offering in December 2005 and additional debt or equity financings as necessary. The rebuilds of the M210 and the OCEAN 211 are expected to be completed early in 2007 and in the late summer of 2007, respectively. The M210 will re-enter service renamed the M242 and the OCEAN 211 will re-enter service renamed the M243. As of September 30, 2006, $18.2 million and $7.8 million had been spent on the rebuilds, respectively.

On September 2, 2005, we entered into a shipbuilding contract with Bender Shipbuilding & Repair Co., Inc., or Bender. Under the shipbuilding contract, Bender will construct and deliver three ATBs, each having a carrying capacity of 335,000 barrels (98% capacity), for a total cost to us, including owner-furnished materials, of approximately $232.5 million. We expect to finance the construction of the three ATBs with a combination of internally generated funds, borrowings under our Revolving Credit Facility, a portion of the proceeds from the equity offering in December 2005 and additional debt or equity financing as necessary. As of September 30, 2006, $38.4 million has been spent on the construction of the ATBs. The ATBs are scheduled for delivery on October 1, 2007, May 1, 2008 and December 1, 2008, subject in each case to permitted postponements under the contract.

On May 26, 2006, we entered into a shipbuilding contract with Bender to build two 8,000-horsepower tugboats. The two tugboats are expected to be delivered in the fourth quarter of 2008 and the first quarter of 2009. The total cost for the two tugboats is expected to be apprroximately $32 million. Once delivered, one of the tugboats will replace the tugboat VALOUR. We plan to pair the second newbuild tugboat with an existing barge. As of September 30, 2006, $6.4 million had been spent on the newbuilds.

Impact of Recent Accounting Pronouncements

Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), *Share-Based Payment*, SFAS 123(R)) which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options based on estimated fair values. SFAS 123(R) supersedes our previous accounting under SFAS 123 for periods beginning in fiscal 2006. In March 2005, the

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Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 SAB 107 relating to SFAS 123(R). We have applied the provisions of SAB 107 in its adoption of SFAS 123(R).

We adopted SFAS 123(R) using the modified prospective transition method, which requires the application of the accounting standard as of January 1, 2006, the first day of our fiscal 2006 year. Our consolidated financial statements as of and for the nine months ended September 30, 2006 reflect the impact of SFAS 123(R). The effect of adopting SFAS 123(R) on net income and earnings per share was minimal compared to the prior year as we had already adopted the fair value recognition provisions of SFAS 123. Prior to the adoption of SFAS 123(R), we presented all tax benefits of deductions resulting from stock compensation as operating cash flows in the Statements of Cash Flows. In accordance with SFAS 123(R), tax benefit cash flows are presented as financing cash flows. In accordance with the modified prospective transition method, our consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123(R).

In May 2005, the Financial Accounting Standards Board (FASB) issued SFAS No. 154, *Accounting Changes and Error Correction*s, a replacement of APB Opinion No. 20, *Accounting Changes*, and SFAS No. 3, *Accounting Changes in Interim Financial Statements* (SFAS 154), which provides guidance on the accounting for and the reporting of accounting changes, including changes in principle, accounting estimates and the reporting entity, as well as, corrections of errors in previously issued financial statements. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. This statement requires retrospective application of accounting changes where retrospective application is defined as the application of a different accounting principle to prior accounting periods as if that principle had always been used or as the adjustment of previously issued financial statements to reflect a change in the reporting entity.

In July 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes- an interpretation of SFAS No. 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity s financial statements in accordance with SFAS 109 and prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006, with early adoption permitted. We will adopt FIN 48 in fiscal 2007 and are currently evaluating whether the adoption of FIN 48 will have a material effect on our financial condition or results of operations.

In September 2006, the FASB issued SFAS No. 158, *Accounting for Defined Benefit Pension and other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106 and 132(R),* which improves financial reporting by requiring the recognition of the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity. SFAS 158 also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position. SFAS 158 is effective for fiscal years ending after December 15, 2006. We will adopt SFAS 158 in fiscal 2006 and are currently evaluating the effects of adopting this statement.

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ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The principal market risk to which we are exposed is a change in interest rates on our Revolving Credit Facility. We manage our exposure to changes in interest rate fluctuations by optimizing the use of fixed and variable rate debt. The table below presents principal cash flows by year of maturity. We had only fixed rate debt at September 30, 2006. Variable interest rates would fluctuate with LIBOR and federal fund rates. The weighted average interest rate on our outstanding debt at September 30, 2006 was 5.91%.

Liabilities ($000s)	Expected Years of Maturity					
	2006*	2007	2008	2009	2010	Thereafter
Fixed Rate	$ 1,014	$ 4,202	$ 4,445	$ 3,007	$ 3,191	$ 40,556
Average Interest Rate	5.92%	5.94%	5.97%	5.97%	5.97%	6.07%

* For the period October 1, 2006 through December 31, 2006

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company s disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures as of the end of the period covered by this report have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and (ii) accumulated and communicated to the Company s management including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure.

Internal Control over Financial Reporting

No change in the Company s internal control over financial reporting occurred during the Company s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II: OTHER INFORMATION

ITEM 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our 2005 Annual Report on Form 10-K dated December 31, 2005.

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ITEM 6. Exhibits

10.1 Maritrans Inc. Excess Benefit Plan as Amended and Restated Effective January 1, 2005

10.2 Merger Agreement between Maritrans Inc. and Overseas Shipholding Group, Inc. (Incorporated by reference herein Filed
with the Maritrans Inc. Additional Definative Proxy Filed on September 25, 2006)

31.1 Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

31.2 Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.

32.1 Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.

32.2 Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.

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SIGNATURES

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

MARITRANS INC.
(Registrant)

By: /s/ Walter T. Bromfield Dated: November 6, 2006

Walter T. Bromfield
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Judith M. Cortina Dated: November 6, 2006

Judith M. Cortina
Director of Finance and Controller
(Principal Accounting Officer)