CONRAD INDUSTRIES, INC.

Quarterly Financial Report

September 30, 2012

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

Table of Contents

	Page
Financial Statements (Unaudited)	
Consolidated Balance Sheets, September 30, 2012 and December 31, 2011	3
Consolidated Statements of Operations, Three and Nine Months Ended September 30, 2012 and 2011	4
Consolidated Statements of Cash Flows, Nine Months Ended September 30, 2012 and 2011	5
Notes to the Consolidated Financial Statements	6
Management's Discussion and Analysis of Financial Condition and Results of Operations	15

FORWARD-LOOKING-STATEMENTS

In this report and in the normal course of business, we, in an effort to help keep our stockholders and the public informed about our operations, may from time to time issue or make certain statements, either in writing or orally, that are or contain forward looking statements. All statements contained herein, other than statements of historical fact, are forward looking statements. When used in this report, the words "anticipate," "believe," "estimate" and "expect" and similar expressions are intended to identify forward looking statements. Such statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions, including our reliance on cyclical industries, our reliance on principal customers and government contracts, the outcome of the claims process for economic damages under the Deepwater Horizon Court-Supervised Settlement Program, our ability to perform contracts at costs consistent with estimated costs utilized in bidding for the projects covered by such contracts, variations in quarterly revenues and earnings resulting from the percentage of completion accounting method, the possible termination of contracts included in our backlog at the option of customers, operating risks, competition for marine vessel contracts, our ability to retain key management personnel and to continue to attract and retain skilled workers, state and federal regulations, the availability and cost of capital, and general industry and economic conditions. These and other risks and assumptions are discussed in more detail in our 2011 Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We do not intend to update these forward looking statements. Although we believe that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove correct.

An Important Note About This Report

Effective March 31, 2005, Conrad Industries, Inc. is no longer subject to the reporting requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Act"). Accordingly, this report is not filed with the Securities and Exchange Commission, is not available on the SEC's EDGAR system, and does not purport to meet the requirements for companies that are subject to the Act's reporting requirements. The Company does intend in this report to provide accurate financial and other information of interest to investors.

Our Annual Report and other periodic reports to shareholders are available on the Company's website, www.ConradIndustries.Com and at www.otcmarkets.com. Interested persons may also request copies directly from the Company. Please direct requests and inquiries to Chief Financial Officer, Conrad Industries Inc., P. O. Box 790, Morgan City, LA, 70381, telephone (985) 702-0195. In particular, you should read this Quarterly Report along with our 2011 Annual Report and our 2012 Proxy Statement.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

ASSETS	September 30, 2012	December 31, 2011
CURRENT ASSETS:		
Cash and cash equivalents	$ 43,705	$ 43,650
Accounts receivable, net	11,101	23,735
Costs and estimated earnings, net in excess of billings on uncompleted contracts	33,973	37,293
Inventories	1,311	2,318
Other receivables	382	286
Other current assets	4,066	2,563
Total current assets	94,538	109,845
PROPERTY, PLANT AND EQUIPMENT, net	48,451	38,438
OTHER ASSETS	29	30
TOTAL ASSETS	$ 143,018	$ 148,313
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 9,135	$ 9,055
Accrued employee costs	3,583	3,780
Accrued expenses	7,325	21,438
Current maturities of long-term debt	267	267
Billings in excess of costs and estimated earnings, net on uncompleted contracts	8,164	8,226
Total current liabilities	28,474	42,766
LONG-TERM DEBT, less current maturities	1,287	1,487
DEFERRED INCOME TAXES	8,058	7,694
OTHER NON-CURRENT LIABILITIES	-	900
Total liabilities	37,819	52,847
SHAREHOLDERS' EQUITY:		
Preferred stock, $0.01 par value, 5,000,000 shares authorized, no shares issued	-	-
Common stock, $0.01 par value 20,000,000 shares authorized, 7,290,837 in 2012 and in 2011	73	73
Additional paid-in capital	29,039	29,039
Treasury stock at cost, 1,352,550 in 2012 and 1,142,669 in 2011	(16,730)	(13,580)
Retained earnings	92,817	79,934
Total shareholders' equity	105,199	95,466
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 143,018	$ 148,313

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
REVENUE	$ 62,740	$ 61,895	$ 172,325	$ 183,742
COST OF REVENUE	54,454	55,146	147,865	160,212
GROSS PROFIT	8,286	6,749	24,460	23,530
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,511	1,314	4,582	4,091
INCOME FROM OPERATIONS	6,775	5,435	19,878	19,439
INTEREST EXPENSE	(9)	(11)	(29)	(39)
OTHER INCOME/(EXPENSE), NET	57	(4)	159	120
INCOME BEFORE INCOME TAXES	6,823	5,420	20,008	19,520
PROVISION FOR INCOME TAXES	2,452	1,965	7,125	7,149
NET INCOME	$ 4,371	$ 3,455	$ 12,883	$ 12,371
Income Per Share:				
Basic	$ 0.74	$ 0.54	$ 2.14	$ 1.94
Diluted	$ 0.74	$ 0.54	$ 2.13	$ 1.93
Weighted Average Common Shares Outstanding:				
Basic	5,878	6,362	6,021	6,385
Diluted	5,901	6,384	6,044	6,408

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 12,883	$ 12,371
Adjustments to reconcile net income to cash provided by/ (used for) operating activities:		
Depreciation and amortization	2,976	2,669
Deferred income tax provision/(benefit)	(611)	1,743
Loss on sale of assets	14	5
Changes in assets and liabilities:		
Accounts receivable	12,634	9,909
Net change in billings related to cost and estimated earnings on uncompleted contracts	3,258	(24,875)
Inventory and other assets	381	6,529
Accounts payable, accrued expenses and other liabilities	(15,130)	(682)
Net cash provided by operating activities	16,405	7,669
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for plant and equipment	(13,000)	(2,597)
Net cash used in investing activities	(13,000)	(2,597)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal repayments of debt	(200)	(1,214)
Purchase of treasury stock	(3,150)	(1,305)
Net cash used in financing activities	(3,350)	(2,519)
NET INCREASE IN CASH AND CASH EQUIVALENTS	55	2,553
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	43,650	23,165
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 43,705	$ 25,718
SUPPLEMENTAL DISCLOSURES CASH FLOW INFORMATION:		
Interest paid, net of capitalized interest	$ 29	$ 39
Taxes paid	$ 8,335	$ 6,425

See notes to unaudited consolidated financial statements.

CONRAD INDUSTRIES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements include the accounts of Conrad Industries, Inc. and its wholly-owned subsidiaries (the "Company") which are primarily engaged in the construction, conversion and repair of a variety of marine vessels for commercial and government customers. The Company was incorporated in March 1998 to serve as the holding company for Conrad Shipyard, L.L.C. ("Conrad") and Conrad Orange Shipyard, Inc. ("Conrad Orange"). On June 29, 2012 Orange Shipbuilding Company, Inc.'s name was changed to Conrad Orange Shipyard, Inc. In addition, during the second quarter of 2003, Conrad Aluminum, L.L.C., a wholly owned subsidiary of Conrad, was organized as a vehicle to accommodate the Company's expansion into aluminum marine fabrication, repair and conversion services. New construction work and some repair work are performed on a fixed-price basis. The Company performs the majority of repair work under cost-plus-fee agreements. All significant intercompany transactions have been eliminated. In the opinion of the management of the Company, the interim consolidated financial statements included herein have been prepared in accordance with generally accepted accounting principles. Accordingly, they do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (such adjustments consisting only of a normal recurring nature) considered necessary for a fair presentation, have been included in the interim consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the Company's audited 2011 consolidated financial statements and related notes. The results of operations for the nine-month period ended September 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012.

2. TRADE RECEIVABLES

Receivables consisted of the following at September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	December 31, 2011
U.S. Government:		
Amounts billed	$ -	$ 2,380
Unbilled costs and estimated earnings on uncompleted contracts	-	1,158
	-	3,538
Commercial:		
Amounts billed	11,101	21,355
Unbilled costs and estimated earnings on uncompleted contracts	33,973	36,135
Total	$ 45,074	$ 61,028

Included above in amounts billed is an allowance for doubtful accounts of $488,000 and $313,000 at September 30, 2012 and December 31, 2011, respectively. During 2009, $711,000 was added to the allowance for doubtful accounts primarily as a result of two customers filing for protection under Chapter 11 of the U.S. Bankruptcy Code. A portion of these accounts are uncollectible and during the second quarter of 2011 were written off against the reserve. During the quarter ended June 30, 2012, approximately $187,000 was added to the reserve for several doubtful accounts that developed during the quarter.

Unbilled costs and estimated earnings on uncompleted contracts were not billable to customers at the balance sheet dates under terms of the respective contracts. Of the unbilled costs and estimated earnings at September 30, 2012, substantially all is expected to be collected within the next twelve months.

Information with respect to uncompleted contracts as of September 30, 2012 and December 31, 2011 is as follows (in thousands):

	September 30, 2012	December 31, 2011
Costs incurred on uncompleted contracts	$ 85,041	$ 115,423
Estimated earnings, net	11,610	17,353
	96,651	132,776
Less billings to date	(70,842)	(103,709)
	$ 25,809	$ 29,067

The above amounts are included in the accompanying balance sheets under the following captions (in thousands):

	September 30, 2012	December 31, 2011
Costs and estimated earnings, net in excess of billings on uncompleted contracts	$ 33,973	$ 37,293
Billings in excess of cost and estimated earnings, net on uncompleted contracts	(8,164)	(8,226)
Total	$ 25,809	$ 29,067

Pursuant to SOP 81-1, Paragraph 85-89(ASC 605-35), when the current estimates of total contract revenue and contract cost indicate a loss, a provision for the entire loss on the contract should be made in the period it became evident. The provision for the loss should be recorded as an additional contract cost in the income statement. The offsetting liability can be recorded on the balance sheet where related contract costs are accumulated on the balance sheet, in which case the provision may be deducted from the related accumulated costs. The Company recorded total charges of $49,000 for the quarter ended September 30, 2012 and $507,000 for the nine months ended September 30, 2012 ($1.6 million in 2011) in cost of revenues to reflect revised estimates related to anticipated losses on certain uncompleted vessels in progress. The offsetting credit was recorded in costs and estimated earnings, net in excess of billings on uncompleted contracts. As of September 30, 2012 and December 31, 2011, approximately $270,000 and $665,000, respectively, of this provision are included in costs and estimated earnings, net in excess of billings on uncompleted contracts.

3. INVENTORIES

At September 30, 2012, inventories consisted of steel plate and structurals, and excess job related materials, supplies, and two tow boats. The stock vessels are at the initial stages of construction and estimated to be complete during the third and fourth quarter of 2013. At December 31, 2011, inventories consisted of steel plate and structurals, excess job related materials, supplies, eight stock barges and two tow boats, all of which were sold subsequent to year end.

4. OTHER RECEIVABLES

Other receivables consisted of the following at September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	December 31, 2011
Insurance claims receivable	$ 11	$ 47
Quality Jobs Program Rebate	358	236
Other	13	3
Total	$ 382	$ 286

Substantially all of these amounts at September 30, 2012 are expected to be collected within the next twelve months.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	December 31, 2011
Land	$ 11,627	$ 5,909
Buildings and improvements	36,709	32,051
Machinery and equipment	23,518	22,157
Drydocks and bulkheads	11,953	11,953
Barges and boats	883	883
Office and automotive	3,143	3,031
Construction in progress	1,986	947
	89,819	76,931
Less accumulated depreciation	(41,368)	(38,493)
	$ 48,451	$ 38,438

Depreciation is provided on property, plant and equipment based on the following estimates of useful lives:

	Useful Lives
Land	N/A
Buildings and improvements	5-40 years
Machinery and equipment	5-12 years
Drydocks and bulkheads	5-30 years
Barges and boats	15 years
Office and automotive	3-12 years
Construction in progress	N/A

Building and improvements include buildings (40 year useful life), fencing, roadways, parking lots, concrete work areas, material storage racks and shelving, launch systems, and storage lockers (5 year useful life). Drydocks and bulkheads include drydocks (30 year useful life), bulkheads, pontoons, and blocking systems (5 year useful life).

6. ACCRUED EXPENSE

At December 31, 2011, Accrued Expenses includes $18.5 million payable to a customer for payments made by the customer on vessel construction contracts that were cancelled in February 2012 by mutual agreement. The customer was paid in February 2012, net of an outstanding amount owed of $2.3 million on a remaining contract. At September 30, 2012, the amount owed to the customer, that was included in Accrued Expenses, was $877,000, related to the sale of the remaining vessels in the first half of 2012.

Initially, the customer advised that it was defaulting on contracts for the construction of five-LPG tank barges, four-30,000 bbl. tank barges, two-tow boats, four-7,500 bbl. tank barges and two-10,000 bbl. tank barges. Except as noted below, all vessels subject to the default were sold to other customers prior to year end with no adverse financial impact to the Company. The two tow boats and two of the 7,500 bbl. tank barges were in the early stages of construction, the contracts were cancelled, and the material for these has been included in our inventory. The two remaining 7,500 bbl. tank barges had not been sold and the contracts had not been cancelled at December 31, 2011. The two remaining 7,500 bbl. tank barges were sold in the first half of 2012. As a result of contract provisions that allow us to recover from the defaulting customer the difference between the contract price and what we sell the barges for, progress payments already made by the defaulting customer and favorable market conditions for these vessels, we did not have any material adverse financial consequences due to the default.

7. LONG-TERM DEBT

Long-term debt consisted of the following at September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	December 31, 2011
Industrial revenue bonds - St. Mary Parish, variable interest rate (2.241% at September 30, 2012), due August 1, 2018	$ 1,554	$ 1,754
	1,554	1,754
Less current maturities	(267)	(267)
	$ 1,287	$ 1,487

We have a Loan Agreement that governs our Revolving Credit Facility. Our Revolving Credit Facility permits us to borrow up to $10 million and matures April 30, 2014. The interest rate is JPMorgan Chase prime rate or LIBOR plus two percent at our option. No amounts were outstanding on our Revolving Credit Facility as of September 30, 2012 and December 31, 2011. The Loan Agreement is secured by substantially all of our assets, contains customary restrictive covenants and requires the maintenance of certain financial ratios that could limit our use of available capacity under the Revolving Credit Facility. In addition, the Loan Agreement prohibits us from paying dividends without the consent of the lender and restricts our ability to incur additional indebtedness. At September 30, 2012 and December 31, 2011, we were in compliance with all covenants. At September 30, 2012 and December 31, 2011, we have letters of credit of $389,000 issued under the Revolving Credit Facility.

In July 2003, we completed the financing for our expansion into the aluminum marine fabrication, repair and construction business. The financing included a $1.5 million grant by the State of Louisiana through the Economic Development Award Program (EDAP) and $4.0 million of industrial revenue bonds issued by the St. Mary Parish Industrial Development Board. In connection with the issuance of the bonds, Conrad subsidiary Conrad Aluminum, L.L.C. contributed to the Industrial Development Board the land and buildings at the Conrad Aluminum yard and is leasing them back along with the items to be purchased with the bond proceeds.

The transaction is being accounted for as a financing and thus the original cost of the property less accumulated depreciation remains reflected in our property, plant and equipment.

The lease payments are essentially equal to, and are used to pay, the principal and interest on the bonds. The lease terminates upon payment in full of the bonds on the contractual maturity date of August 1, 2018 or earlier if we elect to prepay them. In connection with the payment in full of the bonds, we have the option to purchase the leased facilities for $1,000. Alternatively, we and the lessor may choose to extend the lease upon mutually satisfactory terms. Conrad and its subsidiaries have guaranteed the industrial revenue bonds. The bonds have a 15 year term and monthly principal payments of $22,222 plus interest. Interest accrues, at our option, at either the JPMorgan Chase prime rate or the higher of (a) 30, 60 or 90-day LIBOR plus two percent or (b) the prime rate minus one percent.

The $1.5 million EDAP grant requires us to achieve specified job creation benchmarks beginning December 31, 2004 and sustained through December 31, 2012. The EDAP agreement states that if we fail to meet the job creation objectives, the state may choose to recover an amount of the grant commensurate with the scope of the unmet performance objectives.

We met the job creation requirement at December 31, 2004 but not the subsequent years. We are unlikely to meet the job creation benchmarks for 2012. We are in discussions with the State of Louisiana to extend or end the agreement. In our discussions, it was agreed that, regardless of meeting the job creation and payroll requirements, we would earn a pro-rata portion of the Grant based on the composite percentage of actual jobs and actual payroll to required jobs and required payrolls for the years 2004 through 2012. No amounts were amortized into income for the years 2004 through 2010.

As a result of our discussion with the state, we amortized $600,000 into income for 2011 and the liability was reduced to $900,000 and is included under the caption "Accrued Expenses" at September 30, 2012 and "Other Non-Current Liabilities" at December 31, 2011. We have received indications from the State that any unearned amounts due under the Grant must be repaid in 2013. No amounts have been amortized into income for 2012. Any additional earned amount will be amortized into other income during the fourth quarter of 2012 using the ratio of monthly payroll targets achieved over the total payroll targets of the grant.

The equipment purchased with the grant proceeds is owned by St. Mary Parish and is being leased to us for a term expiring December 31, 2012 or upon earlier termination of the EDAP agreement, primarily in consideration of the economic development benefits provided to the Parish and our obligation to pay expenses required to operate and maintain the equipment. During the lease term, we have the option to purchase the equipment subject to the lease for the amount that may be owed to the state under the EDAP agreement, as agreed to by us and the state (generally, an amount of the grant commensurate with any unmet performance objectives). St. Mary Parish cannot terminate the lease due to our failure to meet the job creation benchmarks unless the state acts to obtain the return of all or a part of the grant. If the state does so, we can exercise our option to purchase the equipment and thereby cause the lease and the EDAP agreement to terminate. At the end of the lease term, provided we have complied with our obligations under the EDAP agreement, the equipment subject to the lease will be conveyed to us for a nominal sum. The transaction is being accounted for as a financing and therefore the assets are included in our property, plant and equipment.

8. SHAREHOLDERS' EQUITY

Income per Share

The calculation of basic earnings per share excludes any dilutive effect of stock options, while diluted earnings per share includes the dilutive effect of stock options. The number of weighted average shares outstanding for "basic" income per share was 6,021,278 and 6,385,096 for the nine months ended September 30, 2012 and 2011, respectively. The number of weighted average shares outstanding for "diluted" income per share was 6,043,770 and 6,407,783 for the nine months ended September 30, 2012 and 2011, respectively.

Stockholders' Rights Plan

During May 2002, we adopted a rights plan, which we amended in May 2012. The rights plan is intended to protect stockholder interests in the event we become the subject of a takeover initiative that our board of directors believes could deny our stockholders the full value of their investment. The adoption of the rights plan was intended as a means to guard against abusive takeover tactics and was not in response to any particular proposal. The plan does not prohibit the board from considering any offer that it considers advantageous to stockholders.

Under the plan, we declared and paid a dividend on June 18, 2002 of one right for each share of common stock held by stockholders of record on June 11, 2002. As amended, each right initially entitles our stockholders to purchase one one-thousandth of a share of our preferred stock for $70 per one one-thousandth, subject to adjustment. However, if a person acquires, or commences a tender offer that would result in ownership of, 15 percent or more of our outstanding common stock while the plan remains in place, then, unless we redeem the rights for $0.001 per right, the rights will become exercisable by all rights holders except the acquiring person or group for shares of common stock or of the acquiring person having a market value of twice the purchase price of the rights.

As amended, the rights expire on May 23, 2022, unless redeemed or exchanged at an earlier date. The rights trade with shares of our common stock and have no impact on the way in which our shares are traded. There are currently no separate certificates evidencing the rights, and there is no market for the rights.

9. SEGMENT AND RELATED INFORMATION

Our President and Chief Executive Officer makes operating decisions and measures performance of our business primarily by viewing our two separate lines of business or products and services, which we consider to be building of new vessels and the repair and conversion of existing vessels.

Accordingly, we classify our business into two segments: (1) vessel construction and (2) repair and conversions. Our vessel construction segment involves the building of a new vessel, often including engineering and design, whereas our repair and conversions segment involves work on an existing vessel. Vessel construction jobs are typically of longer duration and have a much larger material component than repair and conversion jobs. Additionally, vessel construction activities are primarily performed in shore-based buildings and dedicated work areas, whereas repair activities primarily occur on floating drydocks or on the vessel itself while afloat. Our vessel construction activities are almost always performed under fixed-price contracts accounted for under the percentage-of-completion method of accounting, whereas our repair activities are primarily performed under cost-plus-fee arrangements.

Our product offerings in vessel construction have changed over time to meet market demands and currently include large and small deck barges, single and double hull tank barges, lift boats, ferries, push boats, offshore tug boats and offshore support vessels including aluminum crew boats. Our repair work involves maintenance and repair of existing vessels, which is often required as a result of periodic inspections required by the U.S. Coast Guard, the American Bureau of Shipping and other regulatory agencies. Our conversion projects primarily consist of lengthening the midbodies of vessels, modifying vessels to permit their use for a different type of activity and other modifications to increase the capacity or functionality of a vessel. Our aluminum new construction and repair/conversion business is not considered a separate operating segment but rather an expansion of our current vessel construction and repair and conversion products and services. Our Conrad Aluminum yard has been specifically designed to handle aluminum work; however, we can also perform steel new construction and repair at the yard and have also performed aluminum work at our other yards.

We evaluate the performance of our segments based upon gross profit. Selling, general and administrative expenses, executive compensation expense, interest expense, other income, net and income taxes are not allocated to the segments. Accounting policies are the same as those described in Note 1, "Summary of Significant Accounting Policies" in our audited 2011 consolidated financial statements. Intersegment sales and transfers are not significant.

Selected information as to our operations by segment is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue				
Vessel construction	$ 49,240	$ 48,339	$ 138,484	$ 148,534
Repair and conversions	13,500	13,556	33,841	35,208
Total revenue	62,740	61,895	172,325	183,742
Cost of revenue				
Vessel construction	42,834	42,588	119,303	129,238
Repair and conversions	11,620	12,558	28,562	30,974
Total cost of revenue	54,454	55,146	147,865	160,212
Gross profit				
Vessel construction	6,406	5,751	19,181	19,296
Repair and conversions	1,880	998	5,279	4,234
Total gross profit	8,286	6,749	24,460	23,530
S G & A expenses	1,511	1,314	4,582	4,091
Income from operations	6,775	5,435	19,878	19,439
Interest expense	(9)	(11)	(29)	(39)
Other income/(expense), net	57	(4)	159	120
Income before income taxes	6,823	5,420	20,008	19,520
Provision for Income tax	2,452	1,965	7,125	7,149
Net income	$ 4,371	$ 3,455	$ 12,883	$ 12,371

Certain other financial information by segment is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Depreciation and amortization expense:				
Vessel construction	$ 541	$ 404	$ 1,495	$ 1,212
Repair and conversions	465	461	1,367	1,367
Included in selling, general and administrative expenses	39	31	114	90
Total depreciation and amortization expense	$ 1,045	$ 896	$ 2,976	$ 2,669

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Capital expenditures:				
Vessel construction	$ 821	$ 826	$ 6,636	$ 1,623
Repair and conversions	500	53	6,117	516
Other	62	328	247	458
Total capital expenditures	$ 1,383	$ 1,207	$ 13,000	$ 2,597

Total assets by segment are as follows as of September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012	December 31, 2011
Total assets:		
Vessel construction	$ 54,859	$ 65,600
Repair and conversions	38,487	33,862
Other	49,672	48,851
Total assets	$ 143,018	$ 148,313

Certain assets, including cash and cash equivalents, and capital expenditures are allocated to corporate and are included in the "Other" caption.

Revenues included in our consolidated financial statements are derived exclusively from customers domiciled in the United States, Puerto Rico and Columbia. All of our assets are located in the United States.

10. COMMITMENTS AND CONTINGENCIES

Legal Matters— We are a party to various routine legal proceedings primarily involving commercial claims and workers' compensation claims. While the outcome of these routine claims and legal proceedings cannot be predicted with certainty, management believes that the outcome of such proceedings in the aggregate, even if determined adversely, would not have a material adverse effect on our consolidated financial position, results of operation or liquidity.

Environmental Matters— In 2006, the Company reported to the Louisiana Department of Environmental Quality (the "LDEQ") that the deposit of fill material in 1986 in one of its slips at Morgan City, Louisiana, may have constituted the unauthorized disposal of solid and/or hazardous waste. The source of the fill was Marine Shale Processors, which federal courts later found to be a sham recycler. The Company did not know until 2006 that the fill material could be something other than a non-regulated aggregate product. On December 7, 2006, the LDEQ agreed to accept the Company's plan with respect to the proper classification, delisting and removal of the fill material. The Company submitted its plan to delist the fill as a hazardous waste to the LDEQ on May 31, 2007. LDEQ issued a demand letter to the Company on July 23, 2007, asking for a remedial investigation and remedial action, and allowing 60 days for the Company to negotiate a cleanup plan and agreement with the LDEQ. The Company submitted its comments on the LDEQ draft cooperative agreement to LDEQ on August 24, 2007. On December 18, 2008, the LDEQ approved the Company's delisting petition with its sampling and analysis plan. The Company implemented the approved sampling and analysis plan in early 2010. The Company had to prepare two assessment reports on the data. The Company submitted a risk assessment report to LDEQ on April 20, 2010. LDEQ on September 7, 2010, approved the risk assessment on the former slip area and asked for a corrective action plan. The Company has asked for an extension of time in submitting the

corrective action plan until after final delisting of the fill by LDEQ as other than hazardous waste, and LDEQ concurred on November 9, 2010. A separate hazardous waste assessment report was submitted to LDEQ on November 8, 2010. Since the data confirms that the fill is appropriately classified as not hazardous, the LDEQ will proceed to delist the fill through a rule-making process, which, when and if completed, should make the Company's disposal (or other corrective action) costs less expensive than if the fill were required to be disposed of as hazardous waste. LDEQ recommended approvals of the delisting petition for rulemaking on May 2, 2012. The Company anticipates LDEQ will proceed with a rulemaking on the delisting by the fourth quarter of 2012. The rulemaking process may take six months. The Company has made provisions in its financial statements based on management's estimate of the range of potential cost to resolve this matter; and such estimates may change as more information becomes known. Depending on further developments and information about expected costs, the Company may seek a CERCLA and/or state cost recovery action from other responsible parties.

Although no assurances can be given, except as noted above, we believe that our operations are in compliance in all material respects with all environmental laws. However, stricter interpretations and enforcement of environmental laws and compliance with potentially more stringent future environmental laws could materially and adversely affect our operations.

Employment Agreements— We have employment agreements with certain of our executive officers which provide for employment of the officers through March 31, 2013, and which provide for extensions at the end of the term, subject to the parties' mutual agreement. As of September 30, 2012, the minimum annual total compensation under these agreements was $886,000.

Construction Commitments – During the first quarter of 2012 the Company received a grant from The U.S. Maritime Administration in the amount of $1,117,000 to construct a new section for Dry Dock #6. This grant is a portion of a $10 million appropriation by Congress for capital improvements and for maritime training programs at small shipyards. The grant funds must be spent in 2 years or less; and in addition to various recordkeeping and filing requirements, the grant requires the Company to spend $1,365,000 in matching funds, maintain title to the purchased equipment for a minimum of 2 years, and to "Buy American" as much as practical. At September 30, 2012, the Company has spent $420,000 on the construction of the dry dock section.

Letters of Credit and Bonds – In the normal course of our business, we are required to provide letters of credit to secure the payment of workers' compensation obligations. Additionally, under certain contracts we may be required to provide letters of credit and bonds to secure our performance and payment obligations. Outstanding letters of credit and bonds relating to these business activities amounted to $19.6 million and $60.5 million at September 30, 2012 and December 31, 2011, respectively.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the notes to consolidated financial statements included elsewhere in this report and should be read in conjunction with our 2011 Annual Report.

Overview

We specialize in the construction, conversion and repair of a wide variety of steel and aluminum marine vessels for commercial and government customers. These vessels include tugboats, ferries, liftboats, barges, aluminum crew/supply vessels and other offshore support vessels. We operate four shipyards: one in Morgan City, Louisiana, two in Amelia, Louisiana and one in Orange, Texas. For the nine months ended September 30, 2012 our new construction segment accounted for 80.4% of our total revenue and our repair and conversion segment accounted for 19.6% of our total revenue. For the year ended December 31, 2011, our new construction segment accounted for 80.6% of our total revenue and our repair and conversion segment accounted for 19.4% of our total revenue. Most of our new construction is done indoors.

In April 2010, the Deepwater Horizon rig, which was engaged in deepwater drilling operations in the Gulf of Mexico, sank after an explosion and fire, resulting in the discharge of substantial amounts of oil. On May 28, 2010, the Department of Interior imposed a moratorium on offshore deepwater drilling operations, which was lifted on October 12, 2010. However, due to the incident and new regulatory and permitting issues, deepwater and shallow water drilling were slowed, which affected our business.

We are preparing to submit claims to the BP Settlement Fund in accordance with the Deepwater Horizon Court–Supervised Settlement Program. We plan to submit these claims to the BP Settlement Fund by November 30, 2012, and estimate a response before the end of the first half of 2013. Certain of our businesses are located within the economic zones included in the class settlement and we believe that the damage calculations have been made in accordance with the guidelines established for the BP Settlement Fund. The cumulative amount of the claims is anticipated to be approximately $22 million to $23 million. Although we believe that these claims have been calculated in accordance with the guidelines established by the BP Settlement Fund, the claims are still subject to review by the professionals responsible for processing the claims and determining the amount to be awarded for each claim. Accordingly, the amounts awarded to us may be less than the amounts we submit and some or all of our claims may be rejected. In addition, a fairness hearing for the class settlement was held November 8, 2012, and no final decision has yet been entered. Any award we receive will be subject to income taxes. No amounts related to the claims have been recorded in our financial statements at September 30, 2012.

During August 2010, our board authorized the Company to repurchase up to $5 million of common stock using our cash on hand or generated from operations, in the open market or privately negotiated transactions. We believe this approach enhances shareholder value and provides us with flexibility to respond to potential future business opportunities and risks. The stock repurchase plan does not obligate us to acquire any particular amount of common stock, does not have an expiration date and could be amended or terminated at any time without prior notice. We purchased 38,075 shares during the third quarter of 2010 at an average price of $7 per share. During March 2011, our board authorized a 10b5-1 stock purchase plan, in an attempt to increase the stock we repurchase pursuant to the share repurchase program. During the second quarter of 2011, we purchased 16,209 shares at an average price of $13 per share. During the third quarter of 2011, we purchased 81,386 shares at an average price of $13 per share. During the fourth quarter of 2011, we purchase 157,444 shares at an average price of $15 per share. On January 17, 2012 our Board authorized an additional $5 million to purchase shares of our common stock under the program. During the first quarter of 2012, we purchased 59,881 shares at an average price of $15 per share. No shares were purchased in the second quarter of 2012. During the third quarter of 2012, 150,000 shares were purchase for an average price of $15 per share. Since the inception of the program through September 30, 2012, we have repurchased 502,995 shares for an aggregate purchase price of $7.0 million, or an average price of $14 per share.

Our board has authorized management to retain a financial advisor to our board to assist in its evaluation of strategic initiatives in order to determine potential alternatives that will enhance shareholder value and provides us with flexibility to respond to potential future business opportunities and risks.

The demand for our products and services is dependent upon a number of factors, including the economic condition of our customers and markets, the age and state of repair of the vessels operated by our customers and the relative cost to construct a new vessel as compared with repairing an older vessel. Because a large percentage of our repair work is derived from the Gulf of Mexico oil and gas industry, conditions in that industry affect our repair segment. During the first nine months of 2012 and for the year ended December 31, 2011, we received approximately 11.9% and 7.0%, respectively, of our total revenues from customers in the offshore oil and gas industry, 9.4% and 17.3% from government customers and 78.7% and 75.7% from other commercial customers.

During the first nine months of 2012, we added $183.5 million ($135.8 million during first nine months of 2011) of backlog to our new construction segment, which is primarily related to spending for double-skinned tank barges and various other barges. Our backlog was $104.4 million at September 30, 2012, $47.1 million at December 31, 2011 and $87.7 million at September 30, 2011. We signed $58.7 million of new contracts since September 30, 2012.

From time to time we have experienced gaps in our construction schedules and began construction on projects that were not under contract and that we believed we could convert to contracts in a relatively short period of time within starting construction or within completion of the project. The primary goal of this strategy is to maintain operational efficiencies and revenue volume between contracted projects. More recently, from time to time, we have also constructed stock vessels for strategic business and marketing reasons. At December 31, 2011, we had eight stock barges and two tow boats under construction with approximately $1.0 million of costs in inventory. The eight barges and the two tow boats have been sold subsequent to year-end. At September 30, 2012 we have two tow boats under construction with approximately $2,000 of cost in inventory. Our board has approved up to $10 million in inventory costs for stock barges and vessels.

We delisted our common stock on March 30, 2005 and filed a Form 15 to deregister our common stock under Section 12 of the Securities Exchange Act of 1934 and cease filing reports pursuant to Section 15 (d) of that Act primarily to reduce expenses.

Our new construction projects generally range from one month to twelve months in duration. We use the percentage-of-completion method of accounting and therefore take into account the estimated costs, estimated earnings and revenue to date on fixed-price contracts not yet completed. The amount of revenue recognized is based on the portion of the total contract price that the labor hours incurred to date bears to the estimated total labor hours, based on current estimates to complete the project. This method is used because management considers expended labor hours to be the best available measure of progress on these contracts. Revenues from cost-plus-fee contracts are recognized on the basis of cost incurred during the period plus the fee earned.

Most of the contracts we enter into for new vessel construction and some of our contracts for conversion and repair, whether commercial or governmental, are fixed-price contracts under which we retain all cost savings on completed contracts but are liable for all cost overruns. We develop our bids for a fixed price project by estimating the amount of labor hours and the cost of materials necessary to complete the project and then bid the projects in order to achieve a sufficient profit margin to justify the allocation of our resources to such project. Our revenues therefore may fluctuate from period to period based on, among other things, the aggregate amount of materials used in projects during a period and whether the customer provides materials and equipment. We perform many of our conversion and repair services on a time and materials basis pursuant to which the customer pays a negotiated labor rate for labor hours spent on the project as well as the cost of materials plus a margin on materials purchased. Repair projects may take a few days to a few weeks, although some extend for a longer period.

Results of Operations

The following table sets forth certain of our historical data and percentage of revenues for the periods presented (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2012		2011		2012		2011	
Financial Data:								
Revenue								
Vessel construction	$ 49,240	78.5%	$ 48,339	78.1%	$138,484	80.4%	$ 148,534	80.8%
Repair and conversions	13,500	21.5%	13,556	21.9%	33,841	19.6%	35,208	19.2%
Total revenue	62,740	100.0%	61,895	100.0%	172,325	100.0%	183,742	100.0%
Cost of revenue								
Vessel construction	42,834	87.0%	42,588	88.1%	119,303	86.1%	129,238	87.0%
Repair and conversions	11,620	86.1%	12,558	92.6%	28,562	84.4%	30,974	88.0%
Total cost of revenue	54,454	86.8%	55,146	89.1%	147,865	85.8%	160,212	87.2%
Gross profit								
Vessel construction	6,406	13.0%	5,751	11.9%	19,181	13.9%	19,296	13.0%
Repair and conversions	1,880	13.9%	998	7.4%	5,279	15.6%	4,234	12.0%
Total gross profit	8,286	13.2%	6,749	10.9%	24,460	14.2%	23,530	12.8%
S G & A expenses	1,511	2.4%	1,314	2.1%	4,582	2.7%	4,091	2.2%
Income from operations	6,775	10.8%	5,435	8.8%	19,878	11.5%	19,439	10.6%
Interest expense	(9)	0.0%	(11)	0.0%	(29)	0.0%	(39)	0.0%
Other income/(expense), net	57	0.1%	(4)	0.0%	159	0.1%	120	0.1%
Income before income taxes	6,823	10.9%	5,420	8.8%	20,008	11.6%	19,520	10.6%
Income tax provision	2,452	3.9%	1,965	3.2%	7,125	4.1%	7,149	3.9%
Net income	$ 4,371	7.0%	$ 3,455	5.6%	$ 12,883	7.5%	$ 12,371	6.7%
EBITDA (1)	$ 7,877	12.6%	$ 6,327	10.2%	$ 23,013	13.4%	$ 22,228	12.1%
Net cash provided by operating activities	$ 14,429		$ (9,019)		$ 16,405		$ 7,669	
Net cash used in investing activities	$ (1,383)		$ (1,207)		$ (13,000)		$ (2,597)	
Net cash used in financing activities	$ (2,317)		$ (1,414)		$ (3,350)		$ (2,519)	

(1) Represents earnings before deduction of interest, taxes, depreciation and amortization. EBITDA is not a measure of cash flow, operating results or liquidity as determined by generally accepted accounting principles. We have included information concerning EBITDA as supplemental disclosure because management believes that EBITDA provides meaningful information regarding a company's historical ability to incur and service debt. EBITDA as defined and measured by us may not be comparable to similarly titled measures reported by other companies. EBITDA should not be considered in isolation or as an alternative to, or more meaningful than, net income or cash flow provided by operations as determined in accordance with generally accepted accounting principles as an indicator of our profitability or liquidity.

The following table sets forth a reconciliation of net cash provided by (used in) operating activities to EBITDA for the periods presented (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Net cash provided by operating activities	$ 14,429	$ (9,019)	$ 16,405	$ 7,669
Interest expense	9	11	29	39
Provision for income taxes	2,452	1,965	7,125	7,149
Deferred income tax provision/(benefit)	(181)	(1,181)	611	(1,743)
Other	-	(5)	(14)	(5)
Changes in operating assets and liabilities	(8,832)	14,556	(1,143)	9,119
EBITDA	$ 7,877	$ 6,327	$ 23,013	$ 22,228

Revenue for the third quarter of 2012 increased $845,000, or 1.4%, to $62.7 million compared to $61.9 million for the third quarter of 2011, while revenue for the first nine months of 2012 reflected a decrease of $11.4 million, or -6.2%, compared to the same period in the prior year. Vessel construction revenue increased $901,000 or 1.9% for the third quarter of 2012, and decreased by $10.1 million, or -6.8% for first nine months of 2012 compared to the same periods in 2011. Repair and conversion revenue decreased $56,000 for the third quarter of 2012, or -.4%, compared to the same period of the prior year, while repair and conversion revenue decreased $1.4 million, or -3.9%, for the first nine months of 2012 compared to the same period in 2011.

Vessel construction hours for the third quarter of 2012 increased 39.0%, when compared to the same period in 2011 and increased 28.4% for the first nine months of 2012 compared to the same period in 2011. Repair and conversion hours increased 5.2% for the three months ended September 30, 2012 and increased 4.1% for the first nine months of 2012 when compared to the same periods in 2011.

For the nine months ended September 30, 2012, vessel construction revenue was 80.4% of total revenue compared to 80.8% for the same period in 2011 and repair and conversion revenue was 19.6% of total revenue compared to 19.2% for the same period in 2011. For the first nine-month period of 2012, 9.4% of revenue was government related, 11.9% was energy and 78.7% was other commercial. This compares to 19.4% government, 8.0% energy and 72.6% other commercial for the same period in 2011.

Gross profit for the third quarter of 2012 increased $1.5 million, or 22.8%, and increased $930,000, or 4.0%, for the first nine months of 2012 compared to the same periods of the prior year. Vessel construction gross profit increased $655,000 for the third quarter of 2012 compared to the third quarter of 2011, while vessel construction gross profit decreased $115,000 or -0.6%, for the first nine months of 2012 compared to the same period in 2011. Repair and conversion gross profit increased $882,000 or 88.4% for the third quarter of 2012 compared to the third quarter of 2011, while repair and conversion gross profit increased $1.0 million or 24.7%, for the first nine months of 2012 compared to the same period of the prior year.

Vessel construction gross profit margins increased to 13.0% for the quarter, compared to 11.9% for the prior year quarter, primarily due to the mix of jobs. Vessel construction gross profit margins increased to 13.9% for the first nine months of 2012, compared to gross profit margins of 13.0% for the first nine months of 2011. Vessel construction gross profit margins increased for the nine month periods primarily as a result of increased production hours and the positive impact on overhead rates.

Repair and conversion gross profit margins increased to 13.9% for the quarter, compared to 7.4% for the prior year quarter, as a result of increased production hours. Repair and conversion gross profit margins increased to 15.6% for the first nine months of 2012, compared to gross profit margins of 12.0% the first nine months of 2011. Repair and conversion gross profit increased for the nine month periods primarily as a result of increased repair and conversion production hours.

Selling, general and administrative expenses ("SG&A") increased $197,000, or 15.0%, for the third quarter of 2012 and increased $491,000, or 12.0%, for the first nine months of 2012, compared to the same periods in 2011. The increase for the quarter was primarily due to an increase in technology support and licenses, and employee related expenses. For the nine months the increase was primarily a result of an increase in technology support and license, bad debt expense and employee related expenses.

Interest expense decreased $2,000, or -18.2%, for the third quarter of 2012, and $10,000, or -25.6%, for the first nine months of 2012 compared to the same periods in the prior year. The decrease for the quarter and nine months is primarily the result of decreases in the average outstanding balances of our long term debt. We expect interest expense in 2012 to be lower than 2011 due to continued decreases in the outstanding balances and low interest rates described in Note 7.

We had income tax expense of $2.5 million for the third quarter of 2012 compared to $2.0 million in the same period of 2011. For the nine months ended September 30, 2012, the Company had income tax expense of $7.1 million compared to $7.1 million for the same period of the prior year. The changes in tax expenses are primarily attributable to the changes in income from operations as discussed above.

Liquidity and Capital Resources

Net cash provided by operating activities was $16.4 million for the first nine months of 2012 compared to net cash provided by operating activities of $7.7 million for the prior year period. The increase is primarily due to the increase in net income, a decrease in accounts receivable, a decrease in cost and estimated earnings in excess of billings, a decrease in inventories, and offset by a decrease in accrued expenses. Our working capital position was $66.1 million at September 30, 2012 compared to $67.1 million at December 31, 2011. The decrease in working capital during 2012 was primarily a result of an increase in property, plant and equipment purchased and stock repurchases. Management is currently engaged in a detailed business planning process to identify potential uses of the Company's cash.

During the third quarter of 2011, a customer advised that it was defaulting on contracts for the construction of five-LPG tank barges, four-30,000 bbl. tank barges, two-tow boats, four-7,500 bbl. tank barges and two-10,000 bbl tank barges. Except as noted below, all vessels subject to the default were sold to other customers prior to year-end with no adverse financial impact to the Company. The two tow boats and two of the 7,500 bbl. tank barges were in the early stages of construction, the contracts were cancelled, and the material for these has been included in our inventory. The two remaining 7,500 bbl. tank barges had not been sold and the contracts had not been cancelled at December 31, 2011. The two remaining 7,500 bbl. tank barges were sold in the first half of 2012. At December 31, 2011, Accrued Expenses includes $18.5 million payable to the customer for payments made by the customer on vessel construction contracts that were cancelled in February 2012 by mutual agreement. The customer was paid in February 2012, net of an outstanding amount of $2.3 million receivable due on a remaining contract. At September 30, 2012, the amount owed to the customer, included in Accrued Expenses, is $877,000, related to the sale in the first half of 2012 of the two remaining vessels. As a result of contract provisions that allow us to recover from the defaulting customer the difference between the contract price and what we sell the barges for, progress payments already made by the defaulting customer and favorable market conditions for these vessels, we did not have any material adverse financial consequences due to the default.

Our net cash used in investing activities of $13.0 million for the nine months ended September 30, 2012 reflected capital expenditures for land, equipment and machinery purchases. For 2012, the Board of Directors has approved approximately $20.8 million in capital expenditures for the repair and upgrade of existing facilities and purchase of land, machinery and equipment that will allow us to improve production efficiencies. In June 2012, we completed the purchase of 50 acres of property adjoining our Conrad Deepwater facility for $5.6 million

In March of 2012, the Company learned that it was selected to receive a grant from The U.S. Maritime Administration in the amount of $1.1 million to construct a 2500 ton drydock extension. This grant is a portion of a $10 million appropriation by Congress for capital improvements and maritime training programs that will foster efficiency, competitive operations, and quality ship construction, repair and reconfiguration, and foster improved employee skills and enhanced productivity. The grant funds must be spent in 2 years or less. In addition to various recordkeeping and reporting requirements, the grant requires the Company to spend $1.4 million in matching funds,

which is included in the 2012 approved capital expenditure program. The Company has spent $420,000 on the construction of the dry dock extension project.

To fill in gaps in our construction schedules, or for strategic business reasons, we construct stock vessels from time to time. At December 31, 2011, we had eight stock barges and two tow boats under construction, which were included in our inventory at a cost of $1.0 million. The eight barges and two tow boats were sold subsequent to year-end. At September 30, 2012, we had two tow boats under construction which were included in our inventory at a cost of $2,000. Our board has approved construction of up to $10.0 million in inventory cost for stock barges and vessels over the next few quarters to the extent management deems appropriate to fill in gaps in our construction schedules and maintain operational efficiencies or for strategic business reasons.

Net cash used by financing activities was $3.4 million for the nine months ended September 30, 2012, which includes $200,000 for the repayment of debt and $3.2 million for the purchase of treasury stock under the stock buyback program.

Our long term debt is described in Note 7 to our financial statements.

In the normal course of our business, we are required to provide letters of credit as security for our workers compensation insurance programs. Additionally, under certain contracts we may be required to provide letters of credit and bonds to secure our performance and payment obligations. Outstanding letters of credit and bonds relating to these business activities amounted to $19.6 million and $38.0 million at September 30, 2012 and 2011 respectively. We believe that general industry conditions have led customers to require performance bonds more often than in the past. Although we believe that in the future we will be able to obtain bonds, letters of credit, and similar obligations on terms we regard as acceptable, there can be no assurance we will be successful in doing so.

We believe that our existing working capital, cash flow from operations and bank commitments will be adequate to meet our working capital needs for operations and capital expenditures through 2012. We further believe that, barring unforeseen circumstances, we should have sufficient resources to meet our cash needs through 2013.