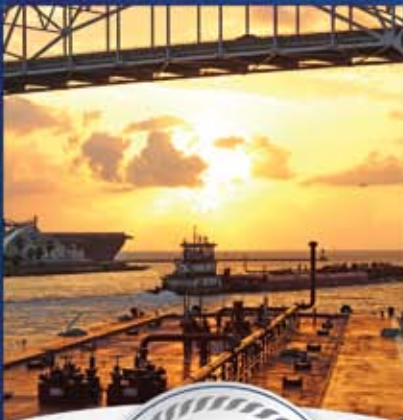




THE AMERICAN WATERWAYS OPERATORS



2013

Annual Report

Vision

The American Waterways Operators is the national advocate for the U.S. tugboat, towboat and barge industry, which serves the nation as the safest, most environmentally friendly and most economical mode of freight transportation.



Mission

The American Waterways Operators represents the people who own and operate the tugboats, towboats and barges serving the rivers, coasts, Great Lakes and harbors of the United States. AWO promotes the industry's value to the nation as a driver of the U.S. economy with a positive impact on the American quality of life, moving vital commodities safely, providing family-wage jobs, reducing air and water pollution, relieving highway congestion and protecting homeland security.

Values

AWO members:

- Operate their companies and vessels in an ethical manner.
- Care for their employees and the public by working to improve the safety of their operations and the professionalism of their people.
- Care for the environment by working to protect and improve the quality of our nation's air and water.
- Supply creative, practical and economical solutions to their customers' and the nation's transportation needs.
- Provide value to the nation, moving cargoes vital to the U.S. economy as the safest, most environmentally friendly and most efficient mode of freight transportation.
- Value member diversity and engage in cooperative endeavors for the betterment of the industry.
- Work collaboratively with government and other stakeholders to find solutions to issues of safety, security, the environment and freight mobility.

Chairman's Message: SAFE, STRONG AND RESILIENT



BUCKLEY McALLISTER
McAllister Towing

*2013 Chairman
of the Board*

*The American
Waterways Operators*

When people think about the U.S. tugboat, towboat and barge industry, several images come to mind – tugs pushing ships many times their size into tight berths, grain barges hauling the harvest on the Mississippi, coal hoppers moving on the Ohio, tank barges plying the Houston Ship Channel or deck barges positioning oilfield exploration equipment in the Gulf of Mexico.

In my role as AWO chairman, I've seen firsthand the diversity of this industry and the many roles we play in meeting the nation's transportation needs. AWO's *2013 Annual Report* calls attention to the contributions of the nation's water transportation sector and the many ways AWO works to advocate on behalf of this great industry.

We also hope to spread the word about our industry's deep commitment to safety. I know how hard my company works to place safety first, just as AWO members all across the country are working to ensure the safety of their personnel, their vessels and their customers' cargoes, as well as that of the public and the environment. Our industry's dedication to moving the nation's cargo safely is reflected in more than just our practices; it is also firmly rooted in the people who serve on our vessels and support us in shoreside roles. Tens of thousands of individuals propel this industry forward – from deckhands to pilots, safety managers to engineers – each with a key role in ensuring our industry's strength.

We know, however, that we cannot accomplish our work alone. In looking back over the past year, I am proud of our industry's collaborative efforts on some of our top advocacy priorities. Working with the American Maritime Partnership, AWO has led the charge to build broad support for the Jones Act, which serves as the foundation for a vibrant domestic maritime industry that is witnessing a surge of investment and growth. Together with Waterways Council, Inc., our industry secured House and

Senate passage of a long-awaited Water Resources Development Act. Additionally, our cooperation with the Shipping Industry Coalition has laid the groundwork for enactment of much needed legislation to reform the regulation of vessel discharges.

In addition to this collaborative spirit, what makes this industry succeed is its resilience, and this trait is woven through everything we do. We look to "lessons learned" to constantly improve our safety practices. We innovate to better meet customer demands. We invest heavily in technologies and vessels that will meet current and future transportation needs. With that same mindset, we are also investing in our trade association.

At the start of my term as chairman, AWO established a member-led task force to examine the future missions and capacity of the association. Over the spring and summer, this group grappled with how to assure continued excellence in AWO's rigorous pursuit of advocacy and safety leadership and deepen the value that AWO members derive from their trade association. The Task Force concluded that the association must add capacity to meet the industry's future needs sustainably and effectively. AWO's Board of Directors overwhelmingly approved the Task Force recommendations at the Fall Convention last October. I am confident that the result will be a much more resilient and much more effective trade association which offers its members even greater value.

AWO is on the verge of great change internally and the industry continues to evolve. One thing, however, remains firmly the same: AWO and its member companies are committed to serving this great nation by safely, reliably and efficiently meeting its transportation needs, and thus helping to ensure its future success. It is our pleasure to share the *2013 Annual Report* with you.



President's Report: THE REWARDS OF RESILIENCY

2013 was an enormously consequential year for AWO. It was a year when AWO members and the AWO Board of Directors grappled with the most significant question facing any national trade association – how to ensure its long-term success in protecting the industry it represents. We ended the year, after careful analysis and extensive discussion, with a bold and thoughtful plan to ensure the success of our enterprise for many years to come.



One of America's most famous orators, William Jennings Bryan, once stated that "Destiny is not a matter of chance; it is a matter of choice. It is not a thing

to be waited for; it is a thing to be achieved." In the contemporary AWO, we often reflect this same view in saying that we must act to assure that we remain masters of our own destiny. That is an extraordinarily high standard in the advocacy of sound public policy. Yet it is the standard to which we have long held ourselves. But our ability to continue to meet that standard and mitigate risk for AWO members was in jeopardy.

Fortunately, AWO has long been governed by a discerning, engaged and committed Board of Directors. The constancy of that characteristic has been critical to ensuring that we always make smart decisions about the most important questions facing our industry. In 2013, the Board recognized that we needed to align our capacity with our missions and our expectations. In so doing, the Board showed once again, as it has done so many times

before, that it is serious about effective governance and that it is committed to assuring the success of its trade association.

The Board's recognition took the form of establishing the Task Force on AWO Missions and Capacity in April, and its overwhelming endorsement of the Task Force's recommendations in October, along with approval of a 2014 budget that allowed for their implementation. It is just simply remarkable that any organization with a membership the scope of ours could identify and analyze this kind of a problem this well and this speedily, and then fund the plan that gives us the right level of new resources to assure that we can succeed in the future. Despite the fact that not every Board member was in the same robust market segment, virtually all Board members voted exactly the same way. This is a very clear testament to the fact that what AWO members value in their own companies – owners with long-term thinking and a commitment to build the business for the future – they bring to the table in their ownership of AWO.

The Board's action in approving the report of the Capacity Task Force is material with respect to the state of AWO. It has allowed us to change the assessment of AWO from one of jeopardy to one of certainty – the certainty of future success. It has given us the capacity to augment our staff in critical ways. It has given us the capacity to elevate the work of your senior staff in equally critical ways. It has given each and every AWO member the certainty that they are represented by a trade association that can deliver meaningful results and substantially reduce the risk of harmful government action.

In 2013, the decisions and actions of AWO members were consistent with the very best traditions of AWO governance over our 70-year history, becoming the latest significant milestone in our impressive historical

record. They have strengthened us significantly. We accept these new assets mindful of our obligation to meet the expectation of heightened performance and meaningful results. We are humbled by the generosity and the support of AWO members. We are inspired by the confidence they have placed in us.

As we celebrate our 70th anniversary in 2014, we should recognize the extraordinary blessings we have enjoyed throughout that time. We should recall the many challenges our industry has faced and how well



we have generally confronted them. While imperfect at times, the arc of our performance over our history has been very good.

Chairman McAllister has spoken to us during his chairmanship about the importance of resiliency. Certainly, one of the overarching characteristics of our industry and our association over these 70 years has been incredible resiliency.

There are other enduring characteristics that span our 70-year record. I am often struck by the fact that the values that AWO members have embraced within their companies, and the characteristics of which they are most proud, are the same values and characteristics that define AWO. That is exactly how it should be.

AWO members often speak to the imperative of providing enduring value to, and having trusting relationships with, their customers. They recognize the importance of owners who approach the business with an overarching strategy and long-term thinking. They reference the importance of disciplined pursuit of the business plan, with the ability to know when

to be adaptable. They often speak to the importance of hard work, integrity and commitment to excellence.

I am proud that their trade association shares the same values, ethics and characteristics. It can be found in the long-term thinking and discipline of our forward-leaning strategic plan. It can be found in the governance of our Board. It can be found in the many elements of our advocacy excellence program. It can be found in the ethos of a very talented staff.

2013 will undoubtedly be remembered as a consequential and pivotal point in the annals of AWO history. Our obligation must be to secure 2014 as a year of great progress and success.

The tugboat, towboat and barge industry faces enormous challenges in the public policy arena, with respect to our public image, and in our role as safety leaders. We have never shrunk from a challenge, no matter its enormity. And, because confidence and optimism are the lens through which we see the world, we view the challenges before us as opportunities for success. We never make the assumption that our goals are a bridge too far. Their difficulty inspires us to be creative and energetic in their pursuit. Most importantly, in 2014 we are equipped to confront these challenges with a heightened confidence that we will prevail, and that we will remain masters of our own destiny – that our destiny will assuredly be a matter of choice.



THOMAS A. ALLEGRETTI
President & CEO



AWO Issue Priorities: A FRAMEWORK FOSTERING GROWTH

Build support for the Jones Act.

In 2013, AWO President & CEO Tom Allegretti was elected chairman of the American Maritime Partnership, the broad-based coalition that represents the U.S. domestic maritime industry. Working with AMP, AWO continues to build strong bipartisan support among decision makers



in Congress and the Administration for the Jones Act, the statutory foundation that supports the industry's essential work and serves as a crucial contributor to America's economic, national and homeland security. Over the past year, AMP has successfully deflected an unprecedented number of efforts to undermine the Jones Act in the media, including misleading attempts to link the Jones Act to high gas prices. This success was due to a new public affairs strategy that is helping AMP fill the public space with facts to set the record straight and share proactive, positive stories that highlight the Jones Act for what it is – a commercial and public policy success.

Support enactment of the Inland Waterways Capital Development Plan.

The bipartisan passage of a Water Resources Development Act by both chambers of Congress in 2013 – for the first time since 2007 – demonstrated lawmakers' recognition of the tremendous value of the water transportation network and the congressional will to improve the nation's ports and waterways despite the difficult political environment. In meetings with members of Congress on Capitol Hill and in their home districts, including 26 tugboat and towboat tours, AWO supported the successful work of Waterways Council, Inc., to include in both the House and Senate bills many major elements of the Inland Waterways Capital Development Plan, a set of recommendations that will ensure the continued vitality of the critically important inland waterways system. The enactment of these provisions will result in important reforms to the way that inland waterways infrastructure improvement projects are managed by the U.S. Army Corps of Engineers.



Secure publication of the towing vessel inspection rule and work with the Coast Guard to facilitate the transition to inspection.

The Coast Guard's towing vessel inspection rulemaking, initiated in 2004, offers a historic opportunity to take safety in the tugboat, towboat



and barge industry to a new level. In 2013, AWO urged prompt publication of a towing vessel inspection rule, guided by the recommendations of the Towing Safety Advisory Committee, in testimony before Congress, meetings with senior agency officials and op-ed pieces in the press. AWO also partnered with the Coast Guard to lay the foundation for a smooth transition to inspection. This effort included work with TSAC to provide practical recommendations on manning for inspected towing vessels and a Coast Guard-AWO working group to make recommendations on maintenance and repair standards for inland towing vessels. AWO also worked with the Coast Guard through the Towing Vessel Bridging Program to ensure compliance with existing regulatory requirements and help prepare vessel operators for the forthcoming final rule, a program that has enabled the Coast Guard to complete over 6,000 industry-initiated towing vessel examinations to date.

Ensure that navigation and vessel operations are regulated by the federal government.

In order to transport critical commodities in interstate and international commerce safely and efficiently, the maritime industry needs to operate under consistent safety and environmental standards established by one knowledgeable and experienced federal agency, the Coast Guard—

not an unpredictable patchwork of requirements imposed by individual states. AWO continues to lead an effort to challenge the constitutionality of state legislation that seriously undermines the Coast Guard's authority over the regulation of vessel operations.

Promote a uniform and practical national approach to regulation of ballast water and other vessel discharges.

AWO led the effort to build support for enactment of legislation to establish a nationally consistent, clear and science-based federal framework for the regulation of vessel discharges, including ballast water, an effort that continued with the introduction of legislation in the second session



AWO Issue Priorities: A FRAMEWORK FOSTERING GROWTH

of the 113th Congress. AWO also worked to ensure that vessel discharge regulations promulgated by the Coast Guard and the Environmental Protection Agency are practicable for towing vessel and barge operators, securing significant improvements to EPA's 2013 Vessel General Permit and updating its Recommended Practice Guide to assist member companies in complying with the permit.

Ensure that international requirements do not adversely impact the industry.

In 2013, AWO increased its focus on international regulations affecting barge and towing vessel operators in the coastal sector. AWO worked with the Coast Guard to ease the burden of engineer licensing requirements imposed by Canada and ensure that forthcoming International Maritime Organization requirements for vessels operating



in arctic waters fit the operations of tugs and barges that provide vital services to Alaskan communities. AWO member representatives joined the U.S. delegation to two meetings of the International Maritime Organization in 2013, and AWO continues to enhance its coordination with the

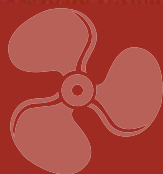


Coast Guard and other maritime trade associations on international issues affecting the tugboat, towboat and barge industry.

Ensure that TWIC requirements are feasible for towing companies and crewmembers.

Following enactment of the Coast Guard and Maritime Transportation Act of 2012, which directed the Transportation Security Administration to eliminate the requirement for Transportation Worker Identification Credential applicants to make a costly and time-consuming second trip to an enrollment center to obtain their card, AWO worked with bipartisan leaders in Congress to urge timely implementation of the statutory mandate. By year's end, a TSA pilot program to implement the TWIC OneVisit program was well under way, with full implementation slated for late 2014. Consistent with previous AWO comments, a Coast Guard proposed rule on TWIC reader requirements published in March recognized that readers add no security value on vessels with small crew sizes, an important step in ensuring the practicability of the TWIC program.

Placing Safety First



"I know how hard my company works to place safety first, just as AWO members all across the country are working to ensure the safety of their personnel, their vessels, and their customers' cargoes, as well as the public and the environment."

– BUCKLEY McALLISTER *McAllister Towing, AWO Chairman of the Board*

Year in Review: MAKING STRIDES IN SAFETY LEADERSHIP, ADVOCACY EXCELLENCE, INDUSTRY AWARENESS

In 2013, AWO worked diligently to advance as a safety leader and ensure that the industry's voice was heard and understood on critical public policy issues. The stories below are a sampling of the highlights of a busy year during which the importance of the tugboat, towboat and barge industry came into fuller view among key stakeholders and the media.

U.S. Army Corps of Engineers Makes Progress in Thebes Rock Removal, Improving Mississippi River Navigation

2013 opened with intense media attention focused on the low water on the Mississippi River, with stories about the importance of the nation's waterborne superhighway taking center stage on nightly network news, national radio broadcasts and in influential newspapers across the country. Low water conditions on the river eased when the U.S. Army Corps of Engineers worked to remove approximately 365 cubic yards of limestone from the river in areas where navigation was most affected. AWO and many other stakeholders praised the Corps, and the congressional leaders who pressed the Administration for timely action, for their recognition of the vital importance of waterborne commerce and efforts to expedite the rock removal process.

Kirby CEO Urges Support for Jones Act at House Subcommittee Hearing

Joseph Pyne, Chairman and CEO of Kirby Corporation, testified on behalf of the American Maritime Partnership at a May 21 House Subcommittee on Coast Guard and Maritime Transportation hearing. Mr. Pyne urged Congress to support the Jones Act as the foundation of the domestic maritime industry, highlighting the law's economic, national security and homeland security benefits. Mr. Pyne also underscored the significant investment taking place within the sector, stating that investments "are occurring in virtually every segment of the domestic U.S.-flag industry—dredging and marine construction; tugboats, towboats and barges; passenger vessels and tank and dry cargo vessels. The domestic U.S.-flag maritime industry has demonstrated time and again that it can, and will, continue to meet America's transportation needs."

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

AWO Addresses Maritime Academy Summit on Workforce Development

On April 8, AWO President & CEO Tom Allegretti addressed the Higher Education Summit held on the campus of SUNY Maritime College about the importance of developing the next generation of towing industry mariners. He acknowledged the shared values of the industry and maritime academies and encouraged greater collaboration to ensure that graduates are prepared for the array of career opportunities available in the towing industry. "It starts on the boats," Mr. Allegretti emphasized.



"We need young men and women who will embrace the challenges and opportunities of work on towing vessels either for the entire span of their vessel career or as the

foundation to an onshore position in our industry."

AWO Holds Successful Capitol Hill Barge-In

2013 marked the eleventh time that AWO members from across the country gathered in Washington, DC, to educate elected officials about the importance of the tugboat, towboat and barge industry. Visiting over 130 congressional offices, participants talked with senators, representatives and senior staff, outlining the industry's positions on key items such as passage of the Water Resources Development Act, the need for a uniform, science-based national framework for vessel discharges, and the importance of the Jones Act to U.S. economic, national and homeland security.



Coast Guard-AWO Towing Vessel Rider Program Kicks Off Second Year

Cadets from the U.S. Coast Guard Academy spent time on board tugboats and towboats as part of a program under the auspices of the Coast Guard-AWO Safety Partnership. The program was



established to educate cadets about the tugboat, towboat and barge industry through a week or more of shoreside and onboard training. Five AWO member companies, Blessey Marine Services, Inc; Canal Barge Company,

Inc.; Foss Maritime Company; McAllister Towing and Seabulk Towing, Inc. hosted 11 cadets in New Orleans, New York, Seattle and Tampa. "The level of interest from both the companies and the cadets is very encouraging. We hope to continue to expand the program to give cadets more exposure to and experience in the industry," said AWO Executive Vice President Jennifer Carpenter.

AWO and TVIB Continue Transition to Third Party Auditor Certification

On November 5-7, the Towing Vessel Inspection Bureau held its second RCP auditor training class in Nashville, certifying and re-certifying the first generation of RCP auditors credentialed by TVIB. The training was part of a year-long transition to third-party



auditor certification, part of AWO's effort to continuously improve the Responsible Carrier Program and facilitate the transition to Subchapter M. TVIB will take full responsibility for the certification of RCP auditors on January 1, 2014.

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

AWO Testifies on Need for Timely Publication of Essential Subchapter M Rule

The U.S. Coast Guard's towing vessel inspection rulemaking presents "a historic opportunity to take safety in the tugboat, towboat and barge industry to a new level," Tom Allegretti, AWO President & CEO, testified before the House Coast Guard and Maritime Transportation Subcommittee on September 10. He urged the subcommittee to exercise its oversight responsibility and help ensure that the Coast Guard "gets the rule done, and done right, right away" to help the industry advance in its goals of improving safety, security and environmental stewardship while supporting high-quality jobs and the efficient movement of commerce.

Team AWO Shines at SCI Mountain Challenge

AWO proudly participated in the Seamen's Church Institute's inaugural Mountain Challenge, a charity endurance event held September 19-22 in Maine's rugged western mountains. Six AWO staff members, Tom Allegretti, Brian Bennett, Jennifer Carpenter, Lynn Craig, Brian Vahey and Mark Wright, tackled the challenge to raise contributions for and awareness of SCI's many

missions to mariners. Thanks to the generous support of AWO members and friends, AWO raised more than \$22,000 for SCI, more than any other organization participating



in the Mountain Challenge. Together, 41 participating teams raised over \$375,000 to support SCI's valuable programs.

AWO Regions: ADVOCACY ACROSS THE NATION

The companies that make up the domestic tugboat, towboat and barge industry serve the nation's economy by bringing critical goods to market safely and efficiently, providing family-wage jobs and serving as extra eyes and ears on America's waterways to support U.S. national and homeland security.

AWO members in the Atlantic, Pacific, Southern, Midwest and Ohio Valley regions also work hard to advance the industry's public policy priorities to strengthen the foundation for its continued growth and success.

The result of these efforts is a stronger and more vibrant industry that is constantly striving for excellence in environmental stewardship and safety leadership while efficiently and reliably moving the nation's commerce. The success of these regional advocacy efforts supports the growth of the industry and job creation throughout the nation.

PACIFIC REGION

Seeking Arctic Opportunities

The expansion of economic activity in the Arctic presents new opportunities and challenges for the industry that serves as a critical lifeline to the Alaskan economy. AWO members who operate in the Pacific Region attended the U.S. Coast Guard Polar Code Workshop in August to ensure that new international regulations meant for deeper draft vessels do not constrain the safe and efficient

operation of tugboats and barges. AWO members also joined the U.S. delegation at a meeting of the International Maritime Organization in London, working side by side with the U.S. Coast Guard to preserve the industry's critical role in the Alaskan economy as the international body develops new requirements for Arctic vessels.

Promoting Rosario Strait Vessel Safety

AWO Pacific Region members partnered with the U.S. Coast Guard to create a work group that developed best practices for vessels transiting the Rosario Strait, a narrow waterway that connects major shipping routes in northern Washington State. The Strait has strong tidal currents and known navigation safety hazards. The new Standard of Care ensures that all towing vessels traveling through the Strait adhere to the same strong safety standards and maintain clear communication channels with the Coast Guard to ensure safe operations.

MIDWEST REGION

Using Sound Science to Thwart Spread of Invasive Species

Through the UnLock Our Jobs Coalition, AWO continues to advocate for sound science as the basis for actions to stop the spread of Asian carp and other invasive species. The barge industry strongly supports the Asian carp control efforts that are ongoing in the Chicago Area Waterway System – especially the electric fish barriers, which have successfully protected Lake Michigan while preserving the free flow of waterborne commerce.



AWO Members Host Sen. Feinstein's Staff in San Francisco

On September 4, AWO members Crowley Maritime Corporation and Baydelta Maritime hosted a tugboat tour for congressional staffers from the office of Sen. Dianne Feinstein (D-CA) aboard Crowley's m/v Valor in the San Francisco Bay. The group observed deep-draft vessel bunkering operations and discussed the importance of California's maritime industry to the state and to the nation.



Managing Our Waterborne Superhighway

A year after low water sparked a crisis up and down the nation's most critical inland waterway, AWO members in the Midwest returned to business as usual in moving the nation's commerce up and down this waterborne superhighway. AWO continues to promote the tremendous regional and national benefits of waterborne commerce and seeks comprehensive management of the Mississippi and Missouri Rivers as a critical water transportation system that benefits the entire nation.

OHIO VALLEY REGION

Promoting Critical Infrastructure

AWO Member Marathon Petroleum Corporation hosted Rep. Tom Massie (R-KY) on a grassroots tour at its marine operations facility in Catlettsburg, KY. The congressman was touring Marathon Petroleum's marine operations on the Ohio River, which highlight the value of the inland river system and the importance of maintaining and improving

the nation's inland waterways infrastructure.

Supporting Safe Transport of Shale Gas Wastewater

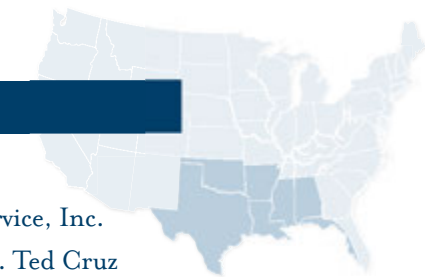
On December 6, AWO submitted comments to the U.S. Coast Guard supporting the development of reasonable requirements that promote both safety and economic growth for the carriage of shale gas wastewater via barge. The comments noted the industry's strong history of carrying petroleum, chemicals and other sensitive cargos safely and efficiently.



SOUTHERN REGION

Showcasing Industry Operations

AWO member Buffalo Marine Service, Inc. hosted staff from the office of Sen. Ted Cruz (R-TX) on a grassroots tour of the Houston Ship Channel. AWO member Bay-Houston Towing Co. also hosted staff from the offices of Rep. Steve Stockman (R-TX) and Rep. Randy Weber (R-TX) aboard a towing vessel that operates in the Channel. Both tours highlighted the critical role towing vessels play in guiding large tankers and container ships into port and the significant increase in inland traffic on this economically crucial waterway.



ATLANTIC REGION

Engaging on Wind Energy Development

As offshore wind farms on the East Coast move closer to eventual construction, members and staff in the Atlantic Region have undertaken a strong effort to engage with federal decision makers. AWO staff and members have met with the Bureau of Ocean Energy Management to reinforce the need to ensure that pre-existing vessel routes are not altered or affected by the placement of wind energy farms in areas essential to commerce off North Carolina and Virginia.



Rep. Elijah Cummings Tours Vane Brothers Facility in Baltimore

On June 10, The Vane Brothers Company hosted Rep. Elijah Cummings (D-MD) on a tour of Vane's headquarters in Baltimore. The visit's highlight was a demonstration of the industry's AIS system, which gave the congressman an appreciation for the scale and sophistication of the towing industry and showcased how AIS and other technological advancements have allowed the industry to become safer and more efficient.



Safety and Environmental Stewardship:

A PATH OF CONTINUOUS IMPROVEMENT

AWO members share a commitment to achieve the highest standards of marine safety and environmental protection. This principle is articulated in AWO's strategic plan, AWO 21, which directs the association to "lead and support AWO members in continuously improving safety, security and environmental stewardship." AWO pursues continuous improvement through a comprehensive safety and environmental stewardship program, which includes the AWO Responsible Carrier Program, the Coast Guard-AWO Safety Partnership and the AWO Interregion and Coastal Safety committees. In 2013, AWO strengthened the integration of its safety program



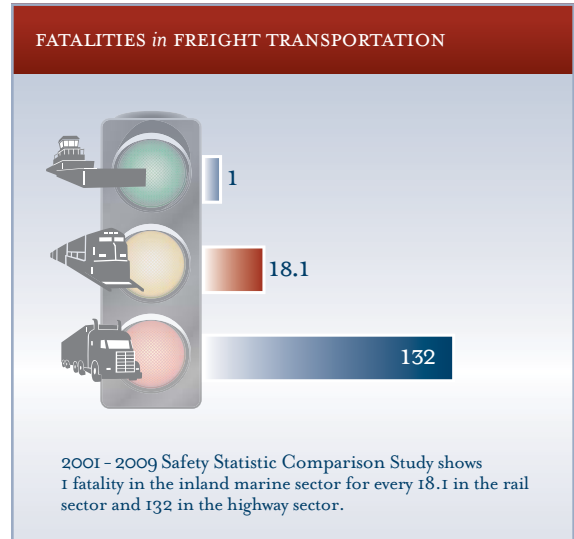
AWO members and NTSB board members at the September 10-11 Safety Culture Forum. *Front row, left to right:* Dave Olson and Matt Baker, Moran Towing Corporation; Matt Stump, Andrie Inc. and Jason Adams, Ingram Barge Company. *Back row, left to right:* Honorable Mark R. Rosekind, PhD; Honorable Christopher A. Hart; Honorable Deborah A. P. Hersman, Chairman; Honorable Robert L. Sumwalt and Honorable Earl F. Weener, PhD.

and increased its visibility within the association. U.S. Coast Guard casualty statistics show that AWO members' hard work is paying off—in 2012 the industry

recorded an all-time low number of crew fatalities, moving closer to its goal of zero harm.

AWO Responsible Carrier Program

AWO took an important step in the evolution of the Responsible Carrier Program in 2013,

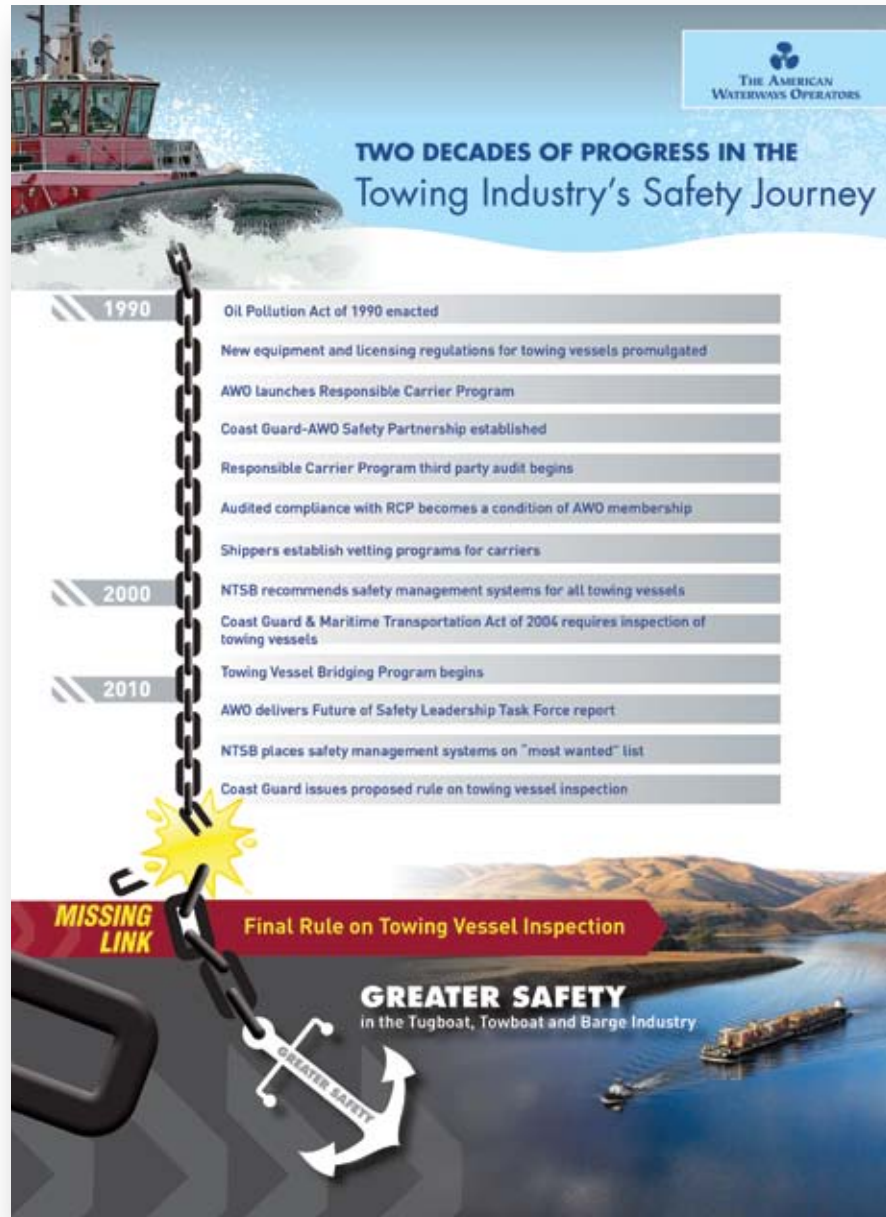


Source: Texas Transportation Institute, *A Modal Comparison of Domestic Freight Transportation Effects on the General Public 2001-2009*, February, 2012

entering into an agreement with the Towing Vessel Inspection Bureau to train and certify RCP auditors. The goal of the transition is to ensure high quality, consistent audits for AWO members, facilitate a smooth transition to the forthcoming Coast Guard regulations on towing vessel inspection and ensure a geographically dispersed pool of well-trained RCP auditors.

All RCP auditors were required to complete TVIB-led recertification training in 2013. By year's end, 68 new and recertifying auditors had been trained, 23 AWO members received training in best practices for internal auditing and 37 auditors completed Responsible Care® Joint Audit Program training conducted by the American Chemistry Council. TVIB also worked with the RCP Standards Board to develop a new RCP management audit worksheet to assist auditors and AWO members in preparing for an effective audit.

TWO DECADES OF PROGRESS IN THE Towing Industry's Safety Journey



Preventing Fatigue and Promoting Crew Alertness

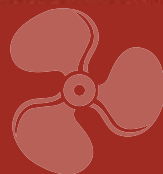
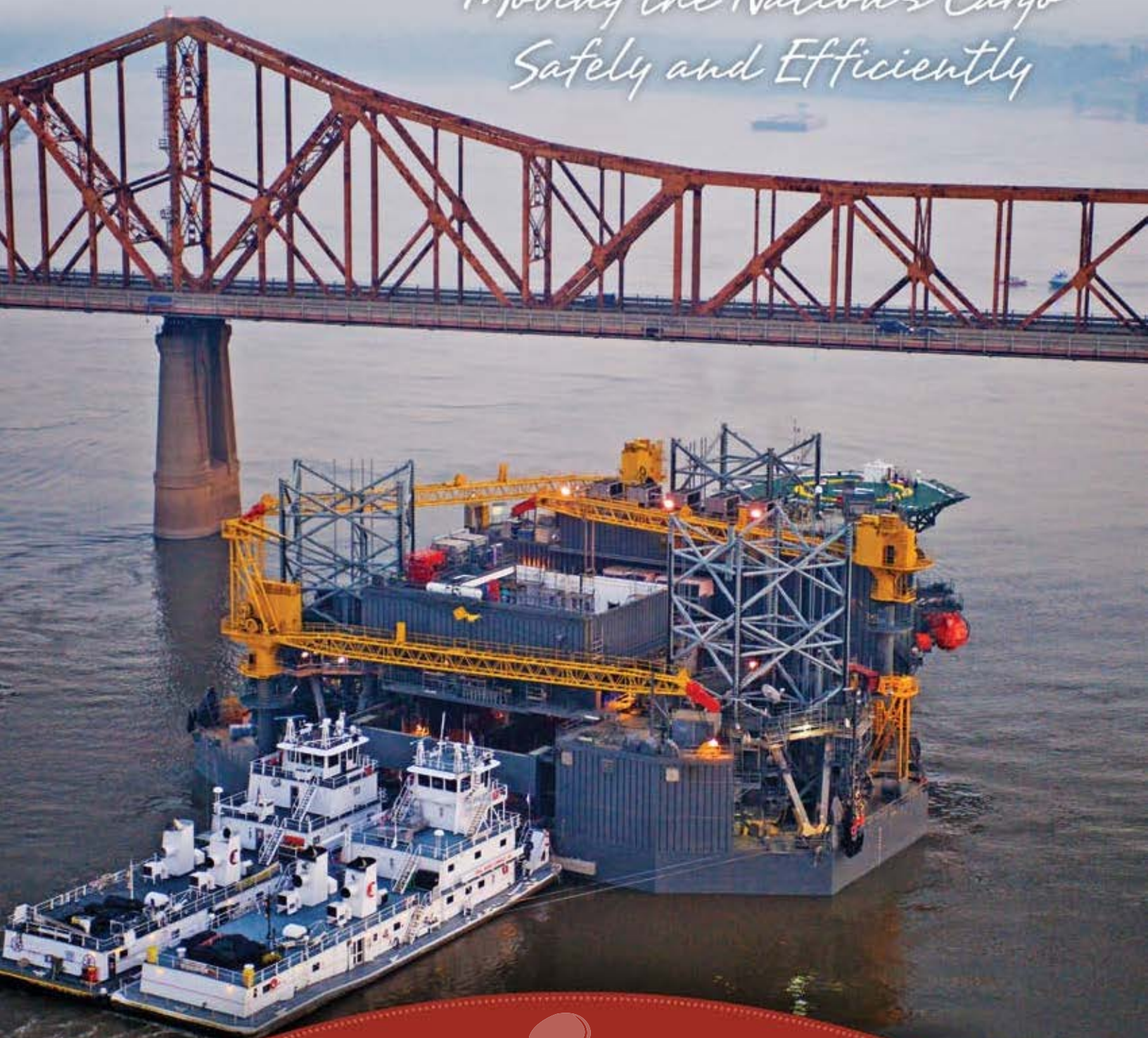
In 2013, AWO continued to lead the effort to prevent fatigue and promote crew alertness in the 24/7 tugboat, towboat and barge industry. The Coast Guard-AWO Safety Partnership endorsed a three-pronged approach, including incorporating a fatigue/crew endurance management program in safety management systems, defining the elements of such a program and establishing performance indicators to measure effectiveness. Complementing these recommendations, the Transportation Research Board awarded a \$300,000 grant for a study on enhancing sleep efficiency in the U.S. tugboat, towboat and barge industry that will build on research conducted for AWO by the Northwestern University Center for Sleep and Circadian Biology. The goal of the TRB study is to produce a compendium of best practices, including recommendations for a fatigue risk management system, educational materials and screening for conditions that impact sleep. AWO member companies and crewmembers will play an essential role in the success of the TRB study.

The Future of Safety Leadership: Measuring Performance

AWO progressed in 2013 toward the development of a program that will collect industry safety statistics to enhance members' safety and environmental stewardship programs. The creation of this program was envisioned in 2010 by the AWO Task Force on the Future

of Safety Leadership. An AWO member working group has determined the program's parameters and development of a Web-based reporting system will begin in 2014. Eventually, participation in the safety statistics reporting program will become a condition of AWO membership.

Moving the Nation's Cargo Safely and Efficiently



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"2013 will undoubtedly be remembered as a consequential and pivotal point in the annals of AWO history. Our obligation must be to secure 2014 as a year of great progress and success."

– THOMAS A. ALLEGRETTI *AWO President & CEO*

Tugboat, Towboat and Barge Operators:

FOUNDATIONAL TO U.S. ECONOMIC SUCCESS

The tugboat, towboat and barge industry is critically important to America's economy. With over 4,000 tugboats and towboats and more than 27,000 barges, the industry comprises the largest segment of the U.S.-flag domestic fleet. Together, these vessels move more than 800 million tons of America's commerce each year on the U.S. inland and intracoastal waterways, the Atlantic, Pacific and Gulf coasts and the Great Lakes.

Barge transportation is the most efficient and economical form of domestic cargo transportation. Its cost-effectiveness provides American farmers with a reliable and affordable way to move their agricultural products to export markets, helping them stay competitive with foreign producers. Almost 60 percent of U.S. grain and oilseed exports – including more than 2.5 million bushels of corn and soybeans – are annually transported by barge along the Mississippi River. There are no viable alternatives to barge transportation for this volume of bulk commodities, which are essential positive contributors to the U.S. balance of trade.

The tugboat, towboat and barge industry provides family-wage jobs for hard-working American men and women on our inland waterways and coasts and in ports and harbors around the country. The industry also supports tens of thousands of shoreside jobs that rely on safe and efficient waterborne transportation of the building blocks of the U.S. economy, including petroleum for oil refineries, coal for power plants and iron ore for steel mills.

Underpinning these jobs is a longstanding maritime law known as the Jones Act, which requires that cargo shipped between two U.S. ports be transported on vessels that are American-owned, American-built and American-crewed. The Jones Act is the foundation of the domestic maritime industry, which is responsible for nearly 500,000 jobs and more than \$100 billion in annual economic output. Jones Act-related U.S. labor compensation associated with the domestic fleet exceeds \$29 billion annually, with those wages spent in virtually every corner of the United States. Additionally, the Jones Act generates \$11 billion in revenue for state and federal treasuries.

The Jones Act ensures that the jobs of the thousands of Americans employed by the tugboat, towboat and barge industry cannot be outsourced.





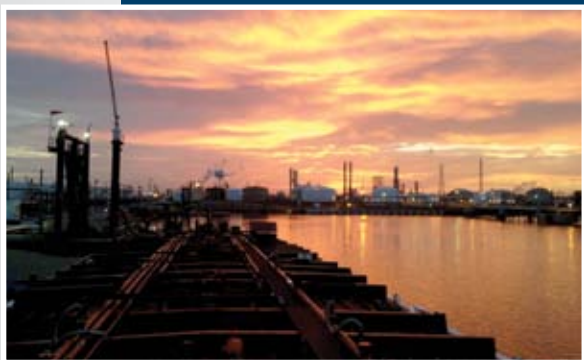
Tugboats, Towboats and Barges: DIVERSITY THAT DELIVERS

The vessels of our nation's tugboat, towboat and barge industry are as diverse as the nation they proudly serve. All along the Atlantic, Pacific and Gulf Coasts, on the Great Lakes and throughout our vast inland waterway network, over 4,000 U.S.-flag tugboats and towboats and more than 27,000 barges help propel the nation's economy from coast to coast.



Inland Liquid and Inland Dry Sector

Inland water transportation is critical to moving the building blocks of our national economy. On this network of waterborne superhighways, towing vessels pushing dry cargo barges carrying grain, coal, gravel and aggregates can move a ton of cargo 616 miles on one gallon of fuel. Inland tank barges carry vast amounts of petroleum and chemicals to heat our homes, fuel our cars and supply our manufacturing facilities.



Coastal Sector

Coastal tugboats and barges move critical goods up and down America's coasts, reducing congestion on our highways and railways. Advanced articulated tug-barge units, or ATBs, deliver improved seakeeping and speed, and all coastal tugboats and barges have a strong safety and environmental record. Oceangoing tugs and barges also serve as a crucial economic lifeline for Alaska and Hawaii as well as U.S. territories such as Puerto Rico and Guam. When other forms of transportation are impossible or cost-prohibitive, barges deliver essential goods to these regions in a safe, efficient and economical manner.



Harbor Services Sector

Harbor tugs are responsible for guiding large vessels safely into and out of port. Over 62,000 large tankers and container ships require the assistance of tugboats to maneuver into U.S. harbors each year. Additionally, on our nation's busy inland rivers, harbor service companies provide valuable services such as barge fleetings, cleaning and repair; supplying long-distance tows; managing traffic within terminals and offering navigation assistance through locks and complicated parts of the river system. Together, these inland and harbor workhorses help ensure that the nation's commerce moves efficiently throughout the water transportation system.



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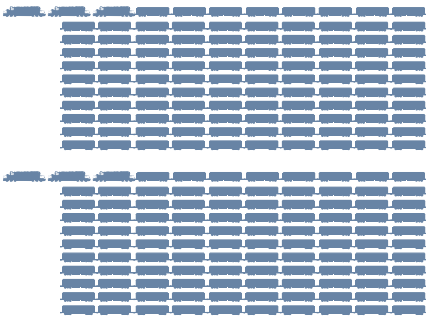
Industry at a Glance

ONE COMMON BARGE TOW
CARRIES THE LOAD of HUNDREDS
of RAIL CARS or TRUCKS

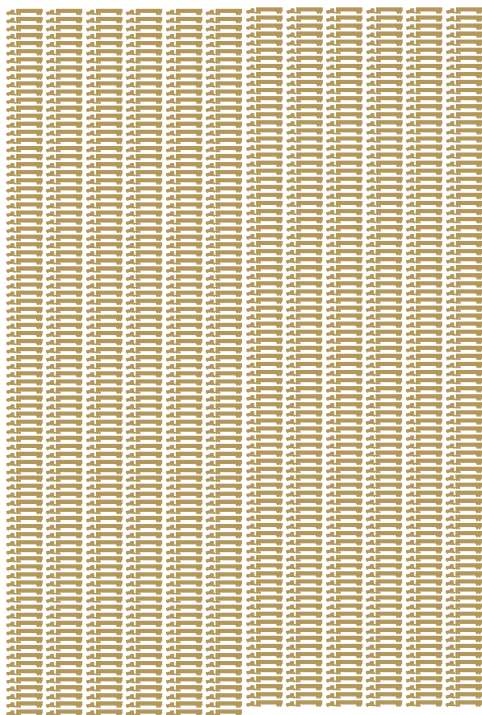
One 15-Barge Tow



216 Rail Cars + 6 Locomotives



1,050 Large Semi Tractor-Trailers



UNITS to CARRY 1,750
SHORT TONS of DRY CARGO




One loaded covered hopper barge carries 58,333 bushels of wheat, enough to make almost 2.5 million loaves of bread.

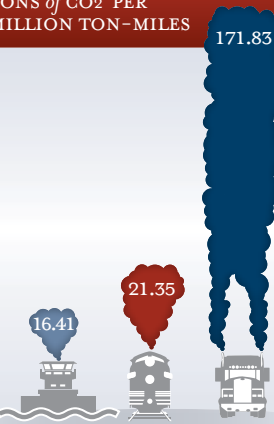
UNITS to CARRY 100,000
BARRELS of LIQUID CARGO



TON-MILES TRAVELED
PER GALLON of FUEL



TONS of CO₂ PER
MILLION TON-MILES



Source for statistics: Texas Transportation Institute, *A Modal Comparison of Domestic Freight Transportation Effects on the General Public 2001-2009*, February, 2012

THE AMERICAN WATERWAYS OPERATORS



- The National Trade Association of the Inland and Coastal Tugboat, Towboat and Barge Industry -

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