

INTERNATIONAL SHIPPING ENTERPRISES, INC.

Form 10-Q/A

September 16, 2005

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**

**FORM 10-Q/A**

**(Amendment No. 1)**

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

For the quarterly period ended June 30, 2005

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-51047

\_\_\_\_\_

**INTERNATIONAL SHIPPING ENTERPRISES, INC.**

(Exact name of registrant as specified in its charter)

Delaware

57-1212493

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(State or other jurisdiction of

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

incorporation or organization)

1225 Franklin Avenue, Suite 325,

Garden City, New York

(Address of principal executive offices)

11530

(Zip Code)

(516) 240-8025

Registrant's telephone number, including area code

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

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

As of August 24, 2005, 39,900,000 shares of the registrant's common stock, par value \$0.0001 per share, were outstanding.

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**Explanatory Note**

This Amendment No. 1 to our Quarterly Report on Form 10-Q for our fiscal quarter ended June 30, 2005 is being filed solely to correct an immaterial numerical disclosure contained in the balance sheet under the line items "Deferred Acquisition Costs" and "Trade Payable & Accrued Expenses" and as well as to make corrections to the Statement of Cash Flows. This Amendment No. 1 has no material impact or any currently available information and has no effect on the acquisition of Navios Maritime Holdings Inc., or on the subsequent merger of the registrant with Navios, both of which occurred on August 25, 2005. The separate corporate existence of the registrant ceased upon consummation of the merger and this Amendment No. 1 is being filed by the registrant's successor in the merger, Navios.

**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

Reference is made to our financial statements beginning on page F-1 of this report.

**PART II OTHER INFORMATION**

**Item 6. Exhibits.**

31.1 Section 302 Certification of Chief Executive Officer

31.2 Section 302 Certification of Chief Financial Officer

32.1 Section 906 Certification

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**INTERNATIONAL SHIPPING ENTERPRISES, INC.**  
by Navios Maritime Holdings Inc,

*as successor*

Date: September 16, 2005

By: */s/ ANGELIKI FRANGOU*  
**Angeliki Frangou**  
*Chief Executive Officer*  
*(Principal Executive Officer,*  
*Principal Financial and Accounting Officer of International*  
*Shipping Enterprises, Inc.)*

## International Shipping Enterprises, Inc.

(a corporation in the development stage)

**BALANCE SHEET**

	<u>June 30, 2005</u>	<u>December 31, 2004</u>
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 172,064	\$ 2,032,478
Investment held in Trust Fund	182,798,858	180,691,163
Deferred Tax Asset	145,000	
Prepaid expenses	63,850	12,988
	<u>183,179,772</u>	<u>182,736,629</u>
Total current assets	183,179,772	182,736,629
Advances held in escrow for Acquisitions	3,016,178	
Property & Equipment (net)	9,205	7,195
Deferred Acquisitions costs	1,894,859	81,000
Deferred Finance costs	3,448,500	
	<u>191,548,514</u>	<u>182,824,824</u>
<b>Total Assets</b>	<b>\$ 191,548,514</b>	<b>\$ 182,824,824</b>
<b>Liabilities &amp; Stockholders Equity</b>		
Current Liabilities:		
Trade payable & Accrued Expenses	\$ 1,855,003	\$ 139,177
Notes payable, stockholder	5,022,037	805
Deferred Interest at Trust account	444,349	23,021
Income taxes payable	712,000	6,700
	<u>8,033,389</u>	<u>169,703</u>
Total Current Liabilities	8,033,389	169,703
Common Stock, Subject to possible conversion	36,097,142	36,097,142
	<u>36,097,142</u>	<u>36,097,142</u>
<b>Stockholders Equity:</b>		
Preferred Stock - \$.0001 par value, authorized 1,000,000 shares, none issued		
Common Stock - \$.0001 par value, authorized 20,000,000 shares, issued and outstanding 39,900,000 (which includes 6,551,723 shares subject to possible conversion)	3,990	3,990
Additional paid-in capital	146,551,057	146,545,159
Earnings accumulated during the development stage	862,936	8,830
	<u>147,417,983</u>	<u>146,557,979</u>
<b>Total stockholders equity</b>	<b>147,417,983</b>	<b>146,557,979</b>
	<u>191,548,514</u>	<u>182,824,824</u>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 191,548,514</b>	<b>\$ 182,824,824</b>

See Notes to Unaudited Financial Statements





**International Shipping Enterprises, Inc.**

(a corporation in the development stage)

**STATEMENT OF OPERATIONS**

(unaudited)

	For the period from January 1st, 2005 to June 30, 2005	For the period from April 1st, 2005 to June 30, 2005	For the period from September 17, 2004 (inception) to June 30, 2005
<b>Net revenue from operations</b>			
Capital based Taxes	\$ (130,000)	\$ (16,500)	\$ (184,759)
Other Operating expenses	(157,430)	(80,159)	(179,856)
<b>Formation &amp; Operating Cost</b>	(287,430)	(96,659)	(364,615)
<b>Operating Loss</b>	(287,430)	(96,659)	(364,615)
<b>Income from Financing Activities</b>			
Bank Interest Income, net	1,708,536	967,401	1,801,251
<b>Income before provision for income taxes</b>	1,421,106	870,742	1,436,636
Provision for Income Taxes	567,000	310,000	573,700
<b>Net Income</b>	\$ 854,106	\$ 560,742	\$ 862,936
<b>Weighted average number of common shares outstanding</b>	39,900,000	39,900,000	
Net income per share :	\$ 0.02	\$ 0.01	

See Notes to Unaudited Financial Statements

## International Shipping Enterprises Inc.

(a corporation in the development stage)

## STATEMENT OF THE STOCKHOLDERS EQUITY

For the period from September 17th, 2004 (inception) to June 30, 2005

	Common Stock and		Additional Paid-In Capital	Earnings Accumulated During the Development Stage	Stockholders Equity
	Shares	Amount			
Sale of 7,125,000 shares of common stock to initial stockholders	7,125,000	\$ 713.00	\$ 24,287	\$	\$ 25,000
Sale of 32,775,000 units, net of underwriters discount and offering expenses (includes 6,551,723 shares subject to possible conversion)	32,775,000	3,277.00	182,618,014		182,621,291
Proceeds subject to possible conversion of 6,551,723 shares			(36,097,142)		(36,097,142)
Net Income				\$ 8,830	8,830
<b>Balance at December 31, 2004</b>	<b>39,900,000</b>	<b>3,990</b>	<b>146,545,159</b>	<b>8,830</b>	<b>146,557,979</b>
Unaudited:					
Finalization of estimated costs of the offering			5,898		5,898
Net Income				854,106	854,106
<b>Balance at June 30, 2005</b>	<b>39,900,000</b>	<b>\$ 3,990.00</b>	<b>\$ 146,551,057</b>	<b>\$ 862,936</b>	<b>\$ 147,417,983</b>

See Notes to Unaudited Financial Statements

**International Shipping Enterprises Inc.**

(a corporation in the development stage)

**STATEMENT OF CASH FLOWS****(Unaudited)**

	<b>For the period from January 1, 2005 to June 30, 2005</b>	<b>For the period from September 17, 2004(inception) to June 30, 2005</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 854,106	\$ 862,936
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	1,749	1,749
Interest income on treasury bills	(2,123,873)	(2,239,036)
Changes in operating assets & liabilities :		
Increase in prepaid expenses	(50,862)	(63,850)
Increase in accounts payable and accrued expenses	15,711	154,888
Increase in deferred interest	421,328	444,349
Increase in income taxes payable	705,300	712,000
Increase in deferred tax assets	(145,000)	(145,000)
Net cash used in operating activities	(321,541)	(271,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Treasury Bills - held in trust		(180,575,746)
Increase in cash held in trust		(254)
Purchase of property & equipment	(3,760)	(10,955)
Advance for the acquisition of a target	(3,000,000)	(3,000,000)
Payment of deferred acquisition costs	(1,062,244)	(1,143,244)
Net cash used in investing activities	(4,066,004)	(184,730,199)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Gross proceeds from initial public offering		196,650,000
Payment of costs of initial public offering	5,899	(14,022,810)
Proceeds from stockholders loans & advances	5,021,232	5,371,353
Payment to stockholders loans & advances		(349,316)
Proceeds from sale of common stock		25,000
Payment of deferred finance costs	(2,500,000)	(2,500,000)
Net cash provided by financing activities	2,527,131	185,174,227
Increase/decrease in cash at end of period	(1,860,414)	172,064
Cash and cash equivalents at beginning of period	2,032,478	
Cash and cash equivalents at end of period	\$ 172,064	\$ 172,064
Supplemental schedule of non-cash investing activity:		
Accrual of deferred acquisition costs	\$ 751,615	\$ 751,615

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Supplemental schedule of non-cash financing activity:		
Accrual of deferred finance costs	\$ 948,500	\$ 948,500

See Notes to Unaudited Financial Statements

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**International Shipping Enterprises, Inc.**

**(a corporation in the development stage)**

**Notes to Financial Statements**

- 1. Organization and Business Operations** International Shipping Enterprises, Inc. (the **Company**) was incorporated in Delaware on September 17, 2004, as a blank check company, the objective of which is to acquire one or more vessels or an operating business in the dry bulk sector of the shipping industry.

All activity from January 1, 2005, through June 30, 2005, relates to the Company's search for a business combination and the negotiation of the acquisition of Navios Maritime Holdings Inc. described below. The Company has selected December 31 as its fiscal year-end.

The registration statement for the Company's initial public offering (**Offering**) was declared effective December 10, 2004. The Company consummated the Offering on December 16, 2004, and received net proceeds of approximately \$182,621,000 (Note 2). The Company's management has broad discretion with respect to the specific application of the net proceeds of this Offering, although substantially all of the net proceeds of this Offering are intended to be generally applied toward consummating a business combination with (or acquisition of) one or more vessels or an operating business in the dry bulk sector of the shipping industry (**Business Combination**). Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination. An amount of \$180,576,000 of the net proceeds were placed in an interest-bearing trust account (**Trust Account**) until the earlier of (i) the consummation of a Business Combination or (ii) the liquidation of the Company. Under the agreement governing the Trust Account, funds will only be invested in United States government securities (Treasury Bills) with a maturity of 180 days or less. (Note 3) The remaining net proceeds (not held in the Trust Account) may be used to pay for business, legal, and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that stockholders owning 20% or more of the shares sold in the Offering vote against the Business Combination and exercise their redemption rights described below, the Business Combination will not be consummated. All of the Company's stockholders prior to the Offering, including all of the officers and directors of the Company (**Initial Stockholders**), have agreed to vote their 7,125,000 founding shares of common stock in accordance with the vote of the majority in interest of all other stockholders of the Company (**Public Stockholders**) with respect to any Business Combination. After consummation of a Business Combination, these voting safeguards will no longer be applicable.

With respect to a Business Combination which is approved and consummated, any Public Stockholder who votes against the Business Combination may demand that the Company convert his shares. The per share conversion price will equal to the amount in the Trust Account calculated as of two business days prior to the proposed consummation of the Business Combination divided by the number of shares of common stock held by Public Stockholders at the consummation of the Offering. Accordingly, Public Stockholders holding 19.99% of the aggregate number of shares owned by all Public Stockholders may seek conversion of their shares in the event of a Business Combination. Such Public Stockholders are entitled to receive their per share interest in the Trust Account computed without regard to the shares held by Initial Stockholders. Accordingly, a portion of the net proceeds from the offering (19.99% of the amount held in the Trust Account) has been

classified as common stock subject to possible conversion and 19.99% of the interest earned on the amount held in the Trust Account has been recorded as deferred interest in the accompanying June 30, 2005 balance sheet.

The Company's Certificate of Incorporation provides for mandatory liquidation of the Company in the event that the Company does not consummate a Business Combination within 12 months from the date of the consummation of the Offering, or 18 months from the consummation of the Offering if certain extension criteria have been satisfied. In the event of liquidation, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the initial public offering price per share in the Offering due to costs related to the Offering and since no value would be attributed to the Warrants contained in the Units sold (Note 2).

In connection with a proposed acquisition (Note 4), the Company has deferred \$3,448,500 relating to bank commitment fees and \$1,246,983 of costs relating to professional fees for legal, due diligence and accounting services.

Management does not believe that any recently issued, but not yet effective, accounting standards if currently adopted would have a material effect on the accompanying financial statements.

**2. Initial Public Offering**

On December 16, 2004, the Company sold 32,775,000 units ( **Units** ) in the Offering, which included all of the 4,275,000 Units subject to the underwriters' over-allotment option. Each Unit consists of one share of the Company's common stock, \$.0001 par value, and two Redeemable Common Stock Purchase Warrants ( **Warrants** ). Each Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$5.00 commencing the later of the completion of a Business Combination with a target business or one year from the effective date of the Offering and expiring four years from the date of the prospectus. The Warrants will be redeemable, upon prior written consent of the Company's underwriter in the Offering, Sunrise Securities Corp., at a price of \$.01 per Warrant upon 30 days' notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third day prior to date on which notice of redemption is given and only if the weekly trading volume of the Company's common stock has been at least 800,000 shares for each of the two calendar weeks prior to the date on which notice of redemption is given.

At June 30, 2005, 65,550,000 shares of common stock were reserved for issuance upon exercise of Warrants.

**3. Investments Held in Trust Account**

At June 30, 2005, the investments held in the Trust Account consist principally of short-term Treasury Bills which are treated as trading securities and recorded at their market value. The excess of market value over cost, exclusive of 19.99% of the interest which has been recorded as deferred interest as described above, is included in interest income on the accompanying income statement.

**4. Acquisition of Navios Maritime Holdings Inc.**

On February 28, 2005, the Company entered into a Stock Purchase Agreement (the **Purchase Agreement** ) with Navios Maritime Holdings Inc., a Marshall Islands corporation ( **Navios** ), and all the shareholders of Navios in connection with the Company's acquisition of all of the outstanding capital of Navios. At the closing, the Navios shareholders will be paid an aggregate of \$607.5 million in cash for all the outstanding capital stock of Navios, subject to adjustments and certain holdbacks. The purchase price will be partially funded through a secured credit facility with HSH Nordbank AG.

Simultaneously with the signing of the Purchase Agreement, the Company deposited \$3,000,000 with an escrow agent as a deposit to be applied against the purchase price at closing. On July 15, 2005, the Company deposited an additional \$3,000,000 in conjunction with the extension of closing date to August 31, 2005, in accordance with the terms and conditions of the Purchase Agreement. In the event that the closing does not occur, any and all deposits will be returned to the Company, except in those cases where the closing has not occurred due to the Company's breach of one of its representation, warranty, covenant or agreement in the Purchase Agreement. In connection with the deposit and other costs and expenses associated with the transaction, an Initial Stockholder has agreed to loan the necessary funds to the Company (Note 5).

At June 30, 2005, trade payable and accrual expenses include \$647,876 due to Navios.

The transaction is expected to be consummated upon receipt of the required approval by the Company's stockholders. The special meeting of the Company's stockholders is currently scheduled for August 23, 2005.

**5. Note Payable, Stockholder**

The Company issued a \$4,022,037 unsecured promissory note to an Initial Stockholder, who is also an officer, on April 18, 2005. The amount of \$5,022,037, including additional advances of \$1,000,000, is due to the Initial Stockholder as of June 30, 2005. The amount due to the Initial Stockholder is non interest-bearing and is payable on demand at any time on or after the closing date of the acquisition of Navios.

**6. Commitment**

The Company presently has certain office and secretarial services made available to it by unaffiliated third parties, as may be required by the Company from time to time. Under its agreement with its underwriters, the Company is permitted to pay up to an aggregate of \$5,500 per month for office space and all such services on an ongoing basis. The statement of operations for the period ended June 30, 2005 includes approximately \$9,672 related to this agreement.