

GENCO SHIPPING & TRADING LTD  
Form 10-K  
March 02, 2015

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

**For the fiscal year ended December 31, 2014**

**or**

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

**For the transition period from            to**

**Commission file number 001-33393**

**GENCO SHIPPING & TRADING LIMITED**

(Exact name of registrant as specified in its charter)

**Republic of the Marshall Islands**  
(State or other jurisdiction of incorporation or organization)

**98-043-9758**  
(I.R.S. Employer Identification No.)

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299 Park Avenue, 12th Floor, New York, New York  
(Address of principal executive offices)

10171  
(Zip Code)

Registrant's telephone number, including area code: (646) 443-8550

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class

**Common Stock, par value \$.01 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicated by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The aggregate market value of the registrant's voting common equity held by non-affiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter, computed by reference to the last sale price of such stock of \$0.94 per share as of June 30, 2014 on the OTC Markets, was approximately \$36.6 million. The registrant has no non-voting common equity issued and outstanding. The determination of affiliate status for purposes of this paragraph is not necessarily a conclusive determination for any other purpose.

The number of shares outstanding of the registrant's common stock as of March 2, 2015 was 61,541,389 shares.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

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**Website Information**

We intend to use our website, [www.GencoShipping.com](http://www.GencoShipping.com), as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Such disclosures will be included in our website's Investor section. Accordingly, investors should monitor the Investor portion of our website, in addition to following our press releases, SEC filings, public conference calls, and webcasts. To subscribe to our e-mail alert service, please submit your e-mail address at the Investor Relations Home page of the Investor section of our website. The information contained in, or that may be accessed through, our website is not incorporated by reference into or a part of this document or any other report or document we file with or furnish to the SEC, and any references to our website are intended to be inactive textual references only.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III, Items 10, 11, 12, 13 and 14 are incorporated by reference in an amendment to this Annual Report on Form 10-K, which will be filed by the registrant within 120 days after the close of its 2014 fiscal year.

**PART I**

ITEM 1. BUSINESS

**OVERVIEW**

We are a New York City-based company, incorporated in the Marshall Islands in 2004. We transport iron ore, coal, grain, steel products and other drybulk cargoes along worldwide shipping routes through the ownership and operation of drybulk carrier vessels. Excluding vessels of Baltic Trading Limited (Baltic Trading), our fleet currently consists of 53 drybulk carriers, including nine Capesize, eight Panamax, 17 Supramax, six Handymax and 13 Handysize drybulk carriers, with an aggregate carrying capacity of approximately 3,810,000 deadweight tons (dwt). The average age of our current fleet is approximately 9.8 years, as compared to the average age for the world fleet of approximately 9 years for the drybulk shipping segments in which we compete. All of the vessels in our fleet were built in shipyards with reputations for constructing high-quality vessels. Excluding Baltic Trading, 32 of the vessels in our fleet are currently on spot market-related time charters and eleven are on fixed-rate time charter contracts. Additionally, ten of the vessels in our fleet are operating in vessel pools. Under a pool arrangement, the vessels operate under a time charter agreement whereby the cost of bunkers and port expenses are borne by the pool and operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. Since the members of the pool share in the revenue generated by the entire group of vessels in the pool, and the pool operates in the spot market, the revenue earned by vessels in vessel pools are subject to the fluctuations of the spot market. Most of our vessels are chartered to well-known charterers, including Cargill International S.A. and its subsidiaries (Cargill), Pacific Basin Chartering Ltd. (Pacbasin), Swissmarine Services S.A. and its subsidiaries (Swissmarine) and the Clipper Logger Pool, in which Clipper Group acts as the pool manager.

In addition, Baltic Trading's fleet currently consists of four Capesize, two Ultramax, four Supramax and five Handysize drybulk carriers with an aggregate carrying capacity of approximately 1,221,000 dwt. After the expected delivery of the two additional Ultramax newbuilding vessels that Baltic Trading has agreed to acquire, Baltic Trading will own a fleet of 17 drybulk vessels, consisting of four Capesize, four Ultramax, four Supramax and five Handysize vessels with a total carrying capacity of approximately 1,349,000 dwt. Nine of the vessels in Baltic Trading's fleet are currently on spot market-related time charters, two are on a short-term fixed rate time charters and four of the vessels are operating in vessel pools.

Baltic Trading, formerly a wholly-owned subsidiary of the Company, completed its initial public offering, or IPO, on March 15, 2010. On May 28, 2013, Baltic Trading closed an equity offering of 6,419,217 shares of common stock at an offering price of \$3.60 per share. Baltic Trading received net proceeds of approximately \$21.6 million, after deducting underwriters' fees and expenses. Additionally, on September 25, 2013, Baltic Trading closed an equity offering of 13,800,000 shares of common stock at an offering price of \$4.60 per share. Baltic Trading received net proceeds of approximately \$59.5 million after deducting underwriters' fees and expenses. Lastly, on November 18, 2013, Baltic Trading closed an equity offering of 12,650,000 shares of common stock at an offering price of \$4.60 per share. Baltic Trading received net proceeds of approximately \$55.1 million after deducting underwriters' fees and expenses. As a result of Baltic Trading's equity offerings completed on May 28, 2013, September 25, 2013 and November 18, 2013, we were issued 128,383, 276,000 and 253,000 shares, respectively,

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of Class B stock, which represents 2% of the number of common shares issued. As of December 31, 2014, our wholly-owned subsidiary Genco Investments LLC owned 6,356,471 shares of Baltic Trading's Class B Stock, which represents a 10.85% ownership interest in Baltic Trading at December 31, 2014 and 64.60% of the aggregate voting power of Baltic Trading's outstanding shares of voting stock. Baltic Trading is consolidated as we control a majority of the voting interest in Baltic Trading. Management's discussion and analysis of our results of operations and financial condition includes the results of Baltic Trading.

We entered into a long-term management agreement (the Management Agreement) with Baltic Trading pursuant to which we apply our expertise and experience in the drybulk industry to provide Baltic Trading with commercial, technical, administrative and strategic services. The Management Agreement is for an initial term of approximately 15 years and will automatically renew for additional five-year periods unless terminated in accordance with its terms. Baltic Trading will pay us for the services we provide it as well as reimburse us for our costs and expenses incurred in providing certain of these services. Management fee income we earn from the Management Agreement net of any allocated shared expenses, such as salary, office expenses and other general and administrative fees, will be taxable to us. Upon consolidation with Baltic Trading, any management fee income earned will be eliminated for financial reporting purposes. Baltic Trading has the right to terminate the Management Agreement upon the occurrence of certain events, including a Manager Change of Control (as defined in the Management Agreement), without making a termination payment.

Some of these have occurred as a result of the transactions contemplated by the Plan, including the consummation of any transaction that results in (i) any person (as such term is used in Section 13(d)(3) of the Securities Exchange Act of 1934), other than Peter Georgiopoulos or any of his affiliates, becoming the beneficial owner of 25% of the Company's voting securities or (ii) the Company's stock ceasing to be traded on the New York Stock Exchange or any other internationally recognized stock exchange. Therefore, Baltic Trading may have the right to terminate the Management Agreement, although Baltic Trading may be prevented or delayed from doing so because of the effect of applicable bankruptcy law, including the automatic stay provisions of the United States Bankruptcy Code and the provisions of the Prepack Plan and the Confirmation Order.

On July 2, 2013, Baltic Trading entered into agreements to purchase two Handysize drybulk vessels from subsidiaries of Clipper Group for an aggregate purchase price of \$41 million. The Baltic Hare, a 2009-built handysize vessel, was delivered on September 5, 2013 and the Baltic Fox, a 2010-built Handysize vessel, was delivered on September 6, 2013. Baltic Trading funded a portion of the purchase price of the vessels using proceeds from its registered follow-on common stock offering completed on May 28, 2013. For the remainder of the purchase price, Baltic Trading drew down \$22 million under its secured loan agreement with DVB Bank SE (the Baltic Trading \$22 Million Term Loan Facility). Refer to Note 10 Debt in our consolidated financial statements for further information regarding this credit facility.

On October 31, 2013, Baltic Trading entered into agreements to purchase two Capesize drybulk vessels from affiliates of SK Shipping Co. Ltd. for an aggregate purchase price of \$103 million. The Baltic Lion, a 2012-built Capesize drybulk vessel, was delivered on December 27, 2013, and the Baltic Tiger, a 2011-built Capesize vessel, was delivered on November 26, 2013. Baltic Trading funded a portion of the purchase price of the vessels using proceeds from its registered follow-on common stock offering completed on September 25, 2013. For the remainder of the purchase price, Baltic Trading drew down \$44 million under its secured loan agreement with DVB Bank SE (the Baltic Trading \$44 Million Term Loan Facility). Refer to Note 10 Debt in our consolidated financial statements for further information regarding this credit facility.

On November 13, 2013, Baltic Trading entered into agreements to purchase up to four 64,000 dwt Ultramax newbuilding drybulk carriers from Yangfan Group Co., Ltd. for a purchase of \$28 million per vessel, or up to \$112 million in the aggregate. Baltic Trading has agreed to purchase two such vessels, to be renamed the Baltic Hornet and Baltic Wasp, and obtained an option to purchase up to two additional such vessels for the same purchase price, which Baltic Trading exercised on January 8, 2014. These vessels are to be renamed the Baltic Mantis and the Baltic Scorpion. The purchases are subject to completion of customary additional documentation and closing conditions. The first of these vessels, the Baltic Hornet, was delivered on October 29, 2014. Additionally, the Baltic Wasp was delivered to Baltic Trading on January 2, 2015. The Baltic Scorpion and the Baltic Mantis are expected to be delivered to Baltic Trading during the second and third quarters of 2015, respectively. Baltic Trading intends to use a combination of cash on hand, future cash flow from operations as well as debt or equity financing, including the senior secured credit facility with ABN AMRO Capital USA LLC in an amount up to \$33.6 million (the 2014 Baltic Trading Term Loan Facilities) and the new credit agreement with Nordea Bank Finland plc, New York Branch (the Baltic Trading \$148 Million Credit Facility) as described in Note 10 Debt in our consolidated financial statements, to fully finance the acquisition of these four Ultramax newbuilding drybulk vessels.

See pages 5-6 for tables of all vessels that have been or are expected to be delivered to us, including Baltic Trading's vessels.

Our management team and our other employees are responsible for the commercial and strategic management of our fleet. Commercial management includes the negotiation of charters for vessels, managing the mix of various types of charters, such as time charters, voyage charters and spot market-related time charters, and monitoring the performance of our vessels under their charters. Strategic management includes locating, purchasing, financing and selling vessels. We currently contract with three independent technical managers to provide technical management of our fleet at a lower cost than we believe would be possible in-house. Technical management involves the day-to-day management of vessels, including performing routine maintenance, attending to vessel operations and arranging for crews and supplies. Members of our New York City-based management team oversee the activities of our independent technical managers.

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We hold an investment in the capital stock of Jinhui Shipping and Transportation Limited ( Jinhui ) and Korea Line Corporation ( KLC ). Jinhui is a drybulk shipping owner and operator focused on the Supramax segment of drybulk shipping. KLC is a marine transportation service company which operates a fleet of carriers which includes carriers for iron ore, liquefied natural gas and tankers for oil and petroleum products.

We provide technical services for drybulk vessels purchased by Maritime Equity Partners LLC ( MEP ) under an agency agreement between us and MEP. These services include oversight of crew management, insurance, drydocking, ship operations and financial statement preparation, but do not include chartering services. The services are provided for a fee of \$750 per ship per day plus reimbursement of out-of-pocket costs and will be provided for an initial term of one year. MEP has the right to cancel provision of services on 60 days notice with payment of a one-year termination fee upon a change of our control. We may terminate provision



of the services at any time on 60 days' notice. Peter C. Georgiopoulos, our Chairman of the Board of Directors, controls and has a minority interest in MEP. This arrangement was approved by an independent committee of our Board of Directors.

### **Bankruptcy Reorganization**

On April 21, 2014 (the "Petition Date"), the Genco Shipping & Trading Limited and its subsidiaries other than Baltic Trading and its subsidiaries (the "Debtors") filed voluntary cases (the "Chapter 11 Cases") under the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). The Debtors continued to operate their businesses in the ordinary course as debtors-in-possession under the jurisdiction of the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. Through the Chapter 11 Cases, the Debtors implemented a Prepackaged Plan of Reorganization of the Debtors Pursuant to Chapter 11 of the Bankruptcy Code (the "Prepack Plan") for which the Company solicited votes from certain classes of its creditors prior to commencement of the Chapter 11 Cases in accordance with the Restructuring Support Agreement that the Debtors entered into with certain of its creditors on April 3, 2014. The Company subsequently emerged from bankruptcy on July 9, 2014.

On July 2, 2014, the Bankruptcy Court entered an order (the "Confirmation Order"), confirming the First Amended Prepackaged Plan of Reorganization of the Debtors Pursuant to Chapter 11 of the Bankruptcy Code (the "Plan"). Capitalized terms used but not defined below shall have the meanings given to them in the Plan. On July 9, 2014 (the "Effective Date"), the Debtors completed their financial restructuring and emerged from Chapter 11 through a series of transactions contemplated by the Plan, and the Plan became effective pursuant to its terms. References to "Successor Company" refer to the Company after July 9, 2014, after giving effect to the application of fresh-start reporting (refer to Note 1 "General Information" in the consolidated financial statements). References to "Predecessor Company" refer to the Company prior to July 9, 2014.

Key components of the Plan included:

- The conversion of 100% of the Claims under the 2007 Credit Facility into 81.1% of the Successor Company Common Stock (subject to dilution by the warrants issued under the Plan). On the Effective Date, the 2007 Credit Facility was terminated, and the liens and mortgages thereunder were released. Refer to Note 10 "Debt" in the consolidated financial statements for further information.
- The conversion of 100% of the Claims under the 2010 Notes into 8.4% of the Successor Company Common Stock (subject to dilution by the warrants issued under the Plan). On the Effective Date, the 2010 Notes and the Indenture were fully satisfied and discharged. Refer to Note 11 "Convertible Senior Notes" in the consolidated financial statements for further information.
- A fully backstopped Rights Offering for approximately 8.7% of the Successor Company Common Stock, in which holders of 2007 Credit Facility Claims were entitled to subscribe for up to 80% of the Successor Company Common Stock offered, and holders of the 2010 Notes Claims were entitled to subscribe for up to 20% of the Successor Company Common Stock being offered under the Rights Offering for an aggregate subscription price of \$100.0 million.

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- The amendment and restatement of the \$253 Million Term Loan Facility and the \$100 Million Term Loan Facility as of the Effective Date, with extended maturities, a financial covenant holiday and certain other amendments, as discussed further in Note 10 Debt in the consolidated financial statements.
- The cancellation of the common stock of the Predecessor Company as of the Effective Date, with the holders thereof receiving warrants to acquire shares of the Successor Company Common Stock. Each of the Successor Company's Equity Warrants is exercisable for one share of the Successor Company's Common Stock, and holders received an aggregate of 3,938,298 of the Successor Company's Equity Warrants for the common stock of the Predecessor Company. The Successor Company's Equity Warrants in the aggregate are exercisable for approximately 6% of the Successor Company Common Stock (subject to dilution).
- Reinstatement, non-impairment or payment in full in the ordinary course of business during the pendency of the Chapter 11 Cases of all Allowed General Unsecured Claims, including Allowed Claims of trade vendors, suppliers, customers and charterers, per the approval by the Bankruptcy Court.
- The non-impairment of all other General Unsecured Claims under Section 1124 of the Bankruptcy Code.

- The establishment of the Genco Shipping & Trading Limited 2014 Management Incentive Plan (the "MIP"), which provides for the distribution of the Successor Company's MIP Primary Equity in the form of shares representing 1.8% of the Successor Company's Common Stock and three tiers of the Successor Company's MIP Warrants ("MIP Warrants") with staggered strike prices based on increasing equity values to the participating officers, directors, and other management of the Successor Company. These awards were made on August 7, 2014. Refer to Note 24 "Stock-Based Compensation" in the consolidated financial statements.

## AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy statements, and other documents with the SEC, under the Securities Exchange Act of 1934, or the Exchange Act. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at [www.sec.gov](http://www.sec.gov).

In addition, our company website can be found on the Internet at [www.gencoshipping.com](http://www.gencoshipping.com). The website contains information about us and our operations. Copies of each of our filings with the SEC on Form 10-K, Form 10-Q and Form 8-K, and all amendments to those reports, can be viewed and downloaded free of charge after the reports and amendments are electronically filed with or furnished to the SEC. To view the reports, access [www.gencoshipping.com](http://www.gencoshipping.com), click on Investor, then SEC Filings. No information on our company website is incorporated by reference into this annual report on Form 10-K.

Any of the above documents can also be obtained in print by any shareholder upon request to our Investor Relations Department at the following address:

Corporate Investor Relations

Genco Shipping & Trading Limited

299 Park Avenue, 12th Floor

New York, NY 10171

## BUSINESS STRATEGY

Our strategy is to manage and expand our fleet in a manner that maximizes our cash flows from operations. To accomplish this objective, we intend to:

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- *Strategically expand the size of our fleet* We may acquire additional modern, high-quality drybulk carriers through timely and selective acquisitions of vessels in a manner that is accretive to our cash flows. If we make acquisitions of additional vessels, we may consider additional debt or equity financing alternatives.
- *Continue to operate a high-quality fleet* - We intend to maintain a modern, high-quality fleet that meets or exceeds stringent industry standards and complies with charterer requirements through our technical managers' rigorous and comprehensive maintenance program. In addition, our technical managers maintain the quality of our vessels by carrying out regular inspections, both while in port and at sea.
- *Pursue an appropriate combination of time and spot charters* - All of our 68 vessels, including those of Baltic Trading, are under time charters, spot market-related time charters or pool agreements. Charters under fixed rate contracts provide us with relatively stable revenues, and charterers under spot market-related time charters provide us with market revenues, both of which provide us with a high fleet utilization. We may in the future pursue other market opportunities for our vessels to capitalize on market conditions, including arranging longer or shorter charter periods and entering into short-term time charters, voyage charters and use of vessel pools. Our charter strategy through the current unfavorable market condition has been focused on signing short-term or spot market-related contracts with multinational charterers in order to preserve our ability to capitalize on possible future rate increases.
- *Maintain low-cost, highly efficient operations* During the year ended December 31, 2014, we outsourced technical management of our fleet, to Wallem Shipmanagement Limited ( Wallem ), Anglo-Eastern Group ( Anglo ), and V.Ships Limited ( V.Ships ), third-party independent technical managers, at a cost we believe is lower than what we could achieve by performing the function in-house. Our management team actively monitors and controls vessel operating expenses incurred by the independent technical managers by overseeing their activities. Finally, we seek to maintain low-cost, highly efficient operations by capitalizing on the cost savings and economies of scale that result from operating sister ships.

- *Capitalize on our management team's reputation* - We will continue to capitalize on our management team's reputation for high standards of performance, reliability and safety, and maintain strong relationships with major international charterers, many of whom consider the reputation of a vessel owner and operator when entering into time charters. We believe that our management team's track record improves our relationships with high quality shipyards and financial institutions, many of which consider reputation to be an indicator of creditworthiness.

## OUR FLEET

The table below summarizes the characteristics of our vessels that have been or are expected to be delivered to us, including those of Baltic Trading:

### Genco Shipping & Trading Limited:

Vessel	Class	Dwt	Year Built
Genco Augustus	Capesize	180,151	2007
Genco Claudius	Capesize	169,025	2010
Genco Constantine	Capesize	180,183	2008
Genco Commodus	Capesize	169,025	2009
Genco Hadrian	Capesize	169,694	2008
Genco London	Capesize	177,833	2007
Genco Maximus	Capesize	169,025	2009
Genco Tiberius	Capesize	175,874	2007
Genco Titus	Capesize	177,729	2007
Genco Acheron	Panamax	72,495	1999
Genco Beauty	Panamax	73,941	1999
Genco Knight	Panamax	73,941	1999
Genco Leader	Panamax	73,941	1999
Genco Raptor	Panamax	76,499	2007
Genco Surprise	Panamax	72,495	1998
Genco Thunder	Panamax	76,588	2007
Genco Vigour	Panamax	73,941	1999
Genco Aquitaine	Supramax	57,981	2009
Genco Ardennes	Supramax	57,981	2009
Genco Auvergne	Supramax	57,981	2009
Genco Bourgogne	Supramax	57,981	2010
Genco Brittany	Supramax	57,981	2010
Genco Cavalier	Supramax	53,617	2007
Genco Hunter	Supramax	58,729	2007
Genco Languedoc	Supramax	57,981	2010
Genco Loire	Supramax	53,416	2009
Genco Lorraine	Supramax	53,416	2009
Genco Normandy	Supramax	53,596	2007
Genco Picardy	Supramax	55,257	2005
Genco Predator	Supramax	55,407	2005
Genco Provence	Supramax	55,317	2004
Genco Pyrenees	Supramax	57,981	2010
Genco Rhone	Supramax	58,018	2011
Genco Warrior	Supramax	55,435	2005
Genco Carrier	Handymax	47,180	1998

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Genco Marine	Handymax	45,222	1996
Genco Muse	Handymax	48,913	2001
Genco Prosperity	Handymax	47,180	1997
Genco Success	Handymax	47,186	1997
Genco Wisdom	Handymax	47,180	1997
Genco Avra	Handysize	34,391	2011
Genco Bay	Handysize	34,296	2010
Genco Challenger	Handysize	28,428	2003
Genco Champion	Handysize	28,445	2006

Genco Charger	Handysize	28,398	2005
Genco Explorer	Handysize	29,952	1999
Genco Mare	Handysize	34,428	2011
Genco Ocean	Handysize	34,409	2010
Genco Pioneer	Handysize	29,952	1999
Genco Progress	Handysize	29,952	1999
Genco Reliance	Handysize	29,952	1999
Genco Spirit	Handysize	34,432	2011
Genco Sugar	Handysize	29,952	1998

**Baltic Trading Limited:**

Vessel	Class	Dwt	Year Built
Baltic Bear	Capesize	177,717	2010
Baltic Wolf	Capesize	177,752	2010
Baltic Lion	Capesize	179,185	2012
Baltic Tiger	Capesize	179,185	2011
Baltic Hornet	Ultramax	63,574	2014
Baltic Wasp	Ultramax	63,389	2015
Baltic Scorpion	Ultramax	64,000	2015(1)
Baltic Mantis	Ultramax	64,000	2015(1)
Baltic Cougar	Supramax	53,432	2009
Baltic Jaguar	Supramax	53,474	2009
Baltic Leopard	Supramax	53,447	2009
Baltic Panther	Supramax	53,351	2009
Baltic Breeze	Handysize	34,386	2010
Baltic Cove	Handysize	34,403	2010
Baltic Wind	Handysize	34,409	2009
Baltic Fox	Handysize	31,883	2010
Baltic Hare	Handysize	31,887	2009

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(1) Built dates for vessels delivering in the future are estimates based on guidance received from the sellers and respective shipyards.

**FLEET MANAGEMENT**

Our management team and other employees are responsible for the commercial and strategic management of our fleet. Commercial management involves negotiating charters for vessels, managing the mix of various types of charters, such as time charters, voyage charters, vessel pools and spot market-related time charters, and monitoring the performance of our vessels under their charters. Strategic management involves locating, purchasing, financing and selling vessels.

We utilize the services of reputable independent technical managers for the technical management of our fleet. We currently contract with Wallem, Anglo and V.Ships, independent technical managers, for our technical management. Technical management involves the day-to-day management of vessels, including performing routine maintenance, attending to vessel operations and arranging for crews and supplies. Members of our New York City-based management team oversee the activities of our independent technical managers. The head of our technical management team has over 30 years of experience in the shipping industry.

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Wallem, founded in 1971, Anglo, founded in 1974 and V.Ships, founded in 1984, are among the largest ship management companies in the world. These technical managers are known worldwide for their agency networks, covering all major ports in China, Hong Kong, Japan, Vietnam, Taiwan, Thailand, Malaysia, Indonesia, the Philippines and Singapore. These technical managers provide services to over 1,000 vessels of all types, including Capesize, Panamax, Ultramax, Supramax, Handymax and Handysize drybulk carriers that meet strict quality standards.

Under our technical management agreements, our technical manager is obligated to:

- provide personnel to supervise the maintenance and general efficiency of our vessels;
- arrange and supervise the maintenance of our vessels to our standards to assure that our vessels comply with applicable



national and international regulations and the requirements of our vessels' classification societies;

- select and train the crews for our vessels, including assuring that the crews have the correct certificates for the types of vessels on which they serve;
- check the compliance of the crews' licenses with the regulations of the vessels' flag states and the International Maritime Organization, or IMO;
- arrange the supply of spares and stores for our vessels; and
- report expense transactions to us, and make its procurement and accounting systems available to us.

## OUR CHARTERS

As of March 2, 2015, including Baltic Trading, we employed 41 of our 68 drybulk carriers under spot market-related time charters, which are time charters with rates based on published Baltic Indices. These types of charters are similar to time charters with the exception of having a variable rate over the term of the time charter agreement. As such, the revenue earned by these 41 vessels is subject to the fluctuations of the spot market. Additionally, as of March 2, 2015, including Baltic Trading, we employed 13 of our 68 drybulk carriers under fixed-rate time charters. A time charter involves the hiring of a vessel from its owner for a period of time pursuant to a contract under which the vessel owner places its ship (including its crew and equipment) at the disposal of the charterer. Under a time charter, the charterer periodically pays a fixed daily charterhire rate to the owner of the vessel and bears all voyage expenses, including the cost of bunkers (fuel), port expenses, agents' fees and canal dues.

The remaining 14 of our drybulk carriers are currently in vessel pools. We believe that vessel pools provide cost-effective commercial management activities for a group of similar class vessels. The pool arrangement provides the benefits of a large-scale operation and chartering efficiencies that might not be available to smaller fleets. Under the pool arrangement, the vessels operate under a time charter agreement whereby the cost of bunkers and port expenses are borne by the charterer and operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. Since the members of the pool share in the revenue generated by the entire group of vessels in the pool, and the pool operates in the spot market, the revenue earned by these nine vessels is subject to the fluctuations of the spot market.

Subject to any restrictions in the contract, the charterer determines the type and quantity of cargo to be carried and the ports of loading and discharging. Our vessels operate worldwide within the trading limits imposed by our insurance terms. The technical operation and navigation of the vessel at all times remains the responsibility of the vessel owner, which is generally responsible for the vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses.

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Each of our current time charters, spot market-related time charters and vessel pool agreements expire within a range of dates (for example, a minimum of 11 and maximum of 13 months following delivery), with the exact end of the time charter left unspecified to account for the uncertainty of when a vessel will complete its final voyage under the time charter. The charterer may extend the charter period by any time that the vessel is off-hire. If a vessel remains off-hire for more than 30 consecutive days, the time charter may be cancelled at the charterer's option.

In connection with the charter of each of our vessels, we incur commissions generally ranging from 1.25% to 6.25% of the total daily charterhire rate of each charter to third-parties, depending on the number of brokers involved with arranging the relevant charter.

We monitor developments in the drybulk shipping industry on a regular basis and strategically adjust the charterhire periods for our vessels according to market conditions as they become available for charter.

During the beginning of 2009, the Genco Cavalier, a 2007-built Supramax vessel, was on charter to Samsun Logix Corporation ( Samsun ), when Samsun filed for the equivalent of bankruptcy protection in South Korea, otherwise referred to as a rehabilitation application. On February 5, 2010, the rehabilitation plan submitted by Samsun was approved by the South Korean courts. As part of the rehabilitation process, our claim of approximately \$17.2 million will be settled in the following manner: 34%, or approximately \$5.9 million, will be paid in cash in annual installments on December 30 of each year from 2010 through 2019 ranging in percentages from eight to 17; the remaining 66%, or approximately \$11.3 million, converted to Samsun shares at a specified value per share. During the year ended December 31, 2014, we recorded \$0.5 million as Other operating income of which \$0.3 million represents 50% of the portion (9%) of the cash settlement that was due on December 30, 2012 and \$0.2 million which represents 50% of the portion (8%) of the cash settlement that was due on December 30, 2013. During the year ended December 31, 2013, we did not receive a payment from Samsun due to its financial difficulties. During the year ended December 31, 2012, we have

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recorded \$0.3 million as Other operating income which represents 50% of the portion (9%) of the cash settlement that was due on December 30, 2012 as this was the only amount remitted by Samsun.

During January 2011, the Genco Success, a 1997-built Handymax vessel, was on charter to Korea Line Corporation ( KLC ) when KLC filed for a rehabilitation application. On July 3, 2012, the original rehabilitation plan submitted by KLC was approved by the South Korean courts. As part of the rehabilitation process, our claim of approximately \$0.8 million will be settled in the following manner: 37%, or approximately \$0.3 million, will be paid in cash in annual installments on December 30 of each year from 2012 through 2021 ranging in percentages from 0.5 to 43; the remaining 63%, or approximately \$0.5 million, converted to KLC shares at a specified value per share. During the year ended December 31, 2012, we have recorded two thousand dollars as other operating income which represents the portion (0.5%) of the cash settlement that was due on December 30, 2012. The final rehabilitation plan was amended and approved by the South Korean courts on October 4, 2013. During the year ended December 31, 2013, we received a final cash settlement and shares of KLC stock as our final settlement which resulted in operating income of \$0.1 million.

The following table sets forth information about the current employment of the vessels currently in our fleet as of February 27, 2015:

### Genco Shipping & Trading Limited

Vessel	Year Built	Charterer	Charter Expiration (1)	Cash Daily Rate (2)
<b><u>Capesize Vessels</u></b>				
Genco Augustus	2007	Cargill International S.A.	April 2015	104% of BCI
Genco Tiberius	2007	Cargill International S.A.	November 2015	102% of BCI(3)
Genco London	2007	Cargill International S.A.	November 2015	102.5% of BCI
Genco Titus	2007	Swissmarine Services S.A.	May 2015	104.5% of BCI
Genco Constantine	2008	Cargill International S.A.	December 2015	102% of BCI(4)
Genco Hadrian	2008	Swissmarine Services S.A.	October 2015	98.5% of BCI
Genco Commodus	2009	Swissmarine Services S.A.	March 2015	100% of BCI
Genco Maximus	2009	Swissmarine Services S.A.	March 2015	100% of BCI
Genco Claudius	2010	Swissmarine Services S.A.	September 2015	99% of BCI
<b><u>Panamax Vessels</u></b>				
Genco Beauty	1999	Navig8 Inc.	March 2015	94.5% of BPI
Genco Knight	1999	Swissmarine Services S.A.	March 2015	99% of BPI
Genco Leader	1999	Navig8 Pan8 Pool Inc.	July 2015	Spot Pool(5)
Genco Vigour	1999	Swissmarine Services S.A.	March 2015	98% of BPI
Genco Acheron	1999	Swissmarine Services S.A.	July 2015	98% of BPI
Genco Surprise	1998	Swissmarine Services S.A.	May 2015	100% of BPI
Genco Raptor	2007	Global Maritime Investments Ltd.	March 2015	100% of BPI
Genco Thunder	2007	Swissmarine Services S.A.	March 2015	100% of BPI
<b><u>Supramax Vessels</u></b>				
Genco Predator	2005	Harmony Innovation Shipping Pte. Ltd.	March 2015	\$4,000(6)
Genco Warrior	2005	Trammo Bulk Carriers	May 2015	\$7,250(7)
Genco Hunter	2007	Pioneer Navigation Ltd.	December 2015	106.5% of BSI(8)
Genco Cavalier	2007	Harmony Innovation Shipping Ltd.	March 2015	\$4,150(9)

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Genco Lorraine	2009	Pioneer Navigation Ltd.	March 2015	\$9,500
Genco Loire	2009	Caltrek Freight and Trading Ltd.	March 2015	91.5% of BSI
Genco Aquitaine	2009	Bulkhandling Handymax A/S	May 2015	Spot Pool(10)
Genco Ardennes	2009	Bulkhandling Handymax A/S	May 2015	Spot Pool(10)
Genco Auvergne	2009	Pioneer Navigation Ltd.	December 2015	100% of BSI
Genco Bourgogne	2010	Clipper Sapphire Pool	August 2015	Spot Pool(11)
Genco Brittany	2010	Couple Ocean	March 2015	\$3,700(12)
Genco Languedoc	2010	Chun An Chartering Co. Ltd.	March 2015	\$7,000(13)
Genco Normandy	2007	Ultrabulk Shipholding Singapore Pte. Ltd.	March 2015	\$4,000(14)

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Genco Picardy	2005	Pioneer Navigation Ltd.	March 2015	101% of BSI
Genco Provence	2004	Pioneer Navigation Ltd.	July 2015	100% of BSI
Genco Pyrenees	2010	Clipper Sapphire Pool	August 2015	Spot Pool(11)
Genco Rhone	2011	Pioneer Navigation Ltd.	November 2015	100% of BSI

**Handymax**

**Vessels**

Genco Success	1997	Caltrek Freight and Trading Ltd.	October 2015	91.5% of BSI
Genco Carrier	1998	Polaris Shipping Co. Ltd.	March 2015	\$3,000(15)
Genco Prosperity	1997	Centurion Bulk Pte. Ltd. Singapore	May 2015	89% of BSI(16)
Genco Wisdom	1997	ED & F MAN Shipping Ltd.	April 2015/Feb. 2016	90%/89% of BSI(17)
Genco Marine	1996	Aquavita International S.A.	February 2015	\$9,000(18)
Genco Muse	2001	Jaldhi Overseas Pte. Ltd.	April 2015	\$8,000(19)

**Handysize Vessels**

Genco Sugar	1998	Clipper Logger Pool	August 2015	Spot Pool(20)
Genco Pioneer	1999	Clipper Logger Pool	August 2015	Spot Pool(20)
Genco Progress	1999	Clipper Logger Pool	August 2015	Spot Pool(20)
Genco Explorer	1999	Clipper Logger Pool	August 2015	Spot Pool(20)
Genco Reliance	1999	Clipper Logger Pool	August 2015	Spot Pool(20)
Genco Charger	2005	Pacific Basin Chartering Ltd.	Apr./Jul. 2015	100%/98% of BHSI(21)
Genco Challenger	2003	Pacific Basin Chartering Ltd.	May 2015	98% of BHSI(22)
Genco Champion	2006	Pacific Basin Chartering Ltd.	August 2015	100% of BHSI
Genco Ocean	2010	Pioneer Navigation Ltd.	March 2015	107% of BHSI
Genco Bay	2010	Pacific Basin Chartering Ltd.	March 2015	107% of BHSI
Genco Avra	2011	Pioneer Navigation Ltd.	September 2015	107% of BHSI
Genco Mare	2011	Cargill International S.A.	May 2015	115% of BHSI
Genco Spirit	2011	Clipper Bulk Shipping Ltd.	September 2015	\$8,000

(1) The charter expiration dates presented represent the earliest dates that our charters may be terminated in the ordinary course. Under the terms of each contract, the charterer is entitled to extend the time charter from two to four months in order to complete the vessel's final voyage plus any time the vessel has been off-hire.

(2) Time charter rates presented are the gross daily charterhire rates before third-party brokerage commission generally ranging from 1.25% to 6.25%. In a time charter, the charterer is responsible for voyage expenses such as bunkers, port expenses, agents' fees and canal dues.

(3) We have agreed to an extension with Cargill International S.A. on a spot market-related time charter for 9 to 12.5 months based on 102% of the Baltic Capesize Index (BCI), published by the Baltic Exchange, as reflected in daily reports. Hire is paid every 15 days in arrears less a 5.00% third-party brokerage commission. Genco maintains the option to convert to a fixed rate based on Capesize FFA values at 102%. The extension began on February 2, 2015.

(4) We have agreed to an extension with Cargill International S.A. on a spot market-related time charter for 9 to 12.5 months based on 102% of the Baltic Capesize Index (BCI), published by the Baltic Exchange, as reflected in daily reports. Hire is paid every 15 days in arrears less a 5.00% third-party brokerage commission. Genco maintains the option to convert to a fixed rate based on Capesize FFA values at 102%. The extension is expected to begin on or about March 14, 2015.

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(5) We have reached an agreement to enter this vessel into the Navig8 Pan8 Pool, a vessel pool trading in the spot market of which Navig8 Inc. acts as the pool manager. The vessel will remain in the pool for a minimum of six months. Genco can withdraw the vessel with three months notice.

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(6) We have reached an agreement with Harmony Innovation Shipping Pte. Ltd. on a time charter for approximately 25 days at a rate of \$4,000 per day. Hire is paid every 15 days in advance less a 5.00% third-party brokerage commission. The vessel delivered to charterers on February 21, 2015 after repositioning. The vessel redelivered to Genco on February 18, 2015.

(7) We have reached an agreement with Trammo Bulk Carriers on a time charter for 3 to 7.5 months at a rate of \$7,250 per day except for the initial 35 days in which hire is \$4,000 per day. Hire is paid every 15 days in advance less a 5.00% third-party brokerage commission. The vessel delivered to charterers on February 15, 2015 after repositioning. The vessel redelivered to Genco on February 13, 2015.

(8) We have reached an agreement with Pioneer Navigation Ltd. on a spot market-related time charter for 11 to 13.5 months based on 106.5% of the Baltic Supramax Index (BSI), published by the Baltic Exchange, as reflected in daily reports except for the initial 40 days in which hire is based on 106.5% of the average of the Baltic Supramax S2 and S3 routes. Hire is paid every 15 days in arrears less a 5.00% third-party brokerage commission. Genco maintains the option to convert to a fixed rate based on Supramax FFA values at 106.5%. The vessel delivered to charterers on January 12, 2015.

(9) We have reached an agreement with Harmony Innovation Shipping Ltd. on a time charter for approximately 20 days at a rate of \$4,150 per day. Hire is paid every 15 days in advance less a 5.00% third-party brokerage commission. The vessel delivered to charterers on January 31, 2015 after repositioning. The vessel redelivered to Genco on January 23, 2015.

(10) We have reached an agreement to enter these vessels into the Bulkhandling Handymax A/S Pool, a vessel pool trading in the spot market of which Torvald Klaveness acts as the pool manager. Genco can withdraw a vessel with three months notice.

(11) We have reached an agreement to enter these vessels into the Clipper Sapphire Pool, a vessel pool trading in the spot market of which Clipper Group acts as the pool manager. Genco can withdraw a vessel with a minimum notice of six months.

(12) We have reached an agreement with Couple Ocean on a time charter for approximately 20 days at a rate of \$3,700 per day. Hire is paid every 15 days in advance less a 5.00% third-party brokerage commission. The vessel delivered to charterers on February 21, 2015 after repositioning. The vessel redelivered to Genco on February 11, 2015.

(13) We have reached an agreement with Chun An Chartering Co. Ltd. on a time charter for approximately 30 days at a rate of \$7,000 per day. Hire is paid every 15 days in advance less a 5.00% third-party brokerage commission. The vessel delivered to charterers on January 23, 2015.

(14) We have reached an agreement with Ultrabulk Shipholding Singapore Pte. Ltd. on a time charter for approximately 25 days at a rate of \$4,000 per day. Hire is paid every 15 days in advance less a 5.00% third-party brokerage commission. The vessel delivered to charterers on February 17, 2015 after repositioning. The vessel redelivered to Genco on February 8, 2015.

(15) We have reached an agreement with Polaris Shipping Co. Ltd. on a time charter for approximately 35 days at a rate of \$3,000 per day. Hire is paid every 15 days in advance less a 5.00% third-party brokerage commission. The vessel delivered to charterers on February 22, 2015 after

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repositioning. The vessel redelivered to Genco on February 12, 2015.

(16) We have reached an agreement with Centurion Bulk Pte. Ltd. Singapore on a time charter for 3 to 6.5 months based on 89% of the BSI, as reflected in daily reports. Hire is paid every 15 days in arrears less a 5.00% third-party brokerage commission. Genco maintains the option to convert to a fixed rate based on Supramax FFA values at 89%. The vessel delivered to charterers on February 15, 2015.

(17) We have agreed to an extension with ED & F MAN Shipping Ltd. on a spot market-related time charter for 9.5 to 12.5 months based on 89% of the BSI, as reflected in daily reports. Hire is paid every 15 days in arrears less a 5.00% third-party brokerage commission.



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Genco maintains the option to convert to a fixed rate based on Supramax FFA values at 89%. The extension is expected to begin after the vessel exits drydocking for scheduled maintenance.

(18) The vessel redelivered to Genco on February 16, 2015 and is currently awaiting next employment.

(19) We have reached an agreement with Jaldhi Overseas Pte. Ltd. on a time charter for approximately 60 days at a rate of \$8,000 per day. Hire is paid every 15 days in advance less a 5.00% third-party brokerage commission. The vessel delivered to charterers on February 18, 2015 after repositioning. The vessel redelivered to Genco on February 12, 2015.

(20) We have reached an agreement to enter these vessels into the Clipper Logger Pool, a vessel pool trading in the spot market of which Clipper Group acts as the pool manager. Genco can withdraw the vessels with a minimum notice of six months.

(21) We have agreed to an extension with Pacific Basin Chartering Ltd. on a spot market-related time charter for 3 to 6.5 months based on 98% of the Baltic Handysize Index (BHSI), published by the Baltic Exchange, as reflected in daily reports except for the initial 35 days in which hire is based on 95% of the Baltic Handysize HS5 route. Hire is paid every 15 days in arrears less a 5.00% third-party brokerage commission. Genco maintains the option to convert to a fixed rate based on Handysize FFA values at 98%. The extension is expected to begin after the vessel completes drydocking for scheduled maintenance.

(22) We have agreed to an extension with Pacific Basin Chartering Ltd. on a spot market-related time charter for 3 to 6.5 months based on 98% of the BHSI, as reflected in daily reports. Hire is paid every 15 days in arrears less a 5.00% third-party brokerage commission. Genco maintains the option to convert to a fixed rate based on Handysize FFA values at 98%. The extension began on February 22, 2015.

### Baltic Trading Limited

Vessel	Year Built	Charterer	Charter Expiration(1)	Employment Structure	Expected Delivery(2)
<i>Capesize Vessels</i>					
Baltic Bear	2010	Swissmarine Services S.A.	March 2015	101.5% of BCI (3)	
Baltic Wolf	2010	Swissmarine Services S.A.	November 2015	101.5% of BCI (4)	
Baltic Tiger	2011	Swissmarine Services S.A.	October 2015	103% of BCI (5)	
Baltic Lion	2012	Swissmarine Services S.A.	November 2015	103% of BCI (6)	
<i>Ultramax Vessels</i>					
Baltic Hornet	2014	Swissmarine Asia Pte. Ltd.	November 2015	115.5% of BSI (7)	
Baltic Wasp	2015	Pioneer Navigation Ltd.	December 2015	115% of BSI (8)	
Baltic Scorpion	2015	TBD	TBD	TBD	Q2 2015
Baltic Mantis	2015	TBD	TBD	TBD	Q3 2015
<i>Supramax Vessels</i>					
Baltic Leopard	2009	Harmony Innovation Shipping Ltd.	March 2015	\$4,250 (9)	
Baltic Panther	2009	Bulkhandling Handymax A/S	May 2015	Spot Pool (10)	
Baltic Jaguar	2009		March 2015	\$3,650 (11)	

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Harmony Innovation Shipping  
Ltd.

Baltic Cougar	2009	Bulkhandling Handymax A/S	May 2015	Spot Pool (10)
<i>Handysize Vessels</i>				
Baltic Wind	2009	Trammo Bulk Carriers	January 2016	107% of BHSI (12)
Baltic Cove	2010	Trammo Bulk Carriers	March 2015	106% of BHSI (13)
Baltic Breeze	2010	Clipper Bulk Shipping Ltd.	July 2015	103.5% of BHSI (14)

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Baltic Fox	2010	Clipper Logger Pool	September 2015	Spot Pool (15)
Baltic Hare	2009	Clipper Logger Pool	September 2015	Spot Pool (15)

(1) The charter expiration dates presented represent the earliest dates that our charters may be terminated in the ordinary course. Under the terms of each contract, the charterer is entitled to extend the time charters from two to four months in order to complete the vessel's final voyage plus any time the vessel has been off-hire.

(2) The dates for the vessels being delivered in the future are estimates based on guidance received from the sellers.

(3) We have agreed to an extension with Swissmarine Services S.A. on a spot market-related time charter based on 101.5% of the average of the daily rates of the Baltic Capesize Index (BCI), published by the Baltic Exchange, as reflected in daily reports. Hire is paid in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco Shipping & Trading Limited (Genco). The minimum and maximum expiration dates of the time charter are February 1, 2015 and April 15, 2015, respectively.

(4) We have reached an agreement with Swissmarine Services S.A. on a spot market-related time charter for 11.5 to 14.5 months based on 101.5% of the average of the daily rates of the BCI, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 5.00% brokerage commission, which includes the 1.25% commission payable to Genco. The vessel delivered to charterers on December 9, 2014.

(5) We have agreed to an extension with Swissmarine Services S.A. on a spot market-related time charter for 10.5 to 13.5 months based on 103% of the average of the daily rates of the BCI, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco. The extension began on December 1, 2014.

(6) We have reached an agreement with Swissmarine S.A. on a spot market-related time charter for 11.5 to 14.5 months based on 103% of the average of the daily rates of the BCI, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 5.50% brokerage commission, which includes the 1.25% commission payable to Genco. The vessel delivered to charterers on December 11, 2014.

(7) We have reached an agreement with Swissmarine Asia Pte. Ltd. on a spot market-related time charter for 12 to 15 months based on 115.5% of the average of the daily rates of the Baltic Supramax Index (BSI), published by the Baltic Exchange, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco. The vessel delivered to charterers on November 1, 2014.

(8) We have reached an agreement with Pioneer Navigation Ltd. on a spot market-related time charter for 11.5 to 14.5 months based on 115% of the average of the daily rates of the BSI, as reflected in daily reports, except for the initial 40 days in which hire is based on 115% of the average of the Baltic Supramax S2 and S3 routes. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco. The vessel delivered to charterers on January 6, 2015.

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(9) We have reached an agreement with Harmony Innovation Shipping Ltd. on a time charter for approximately 25 days at a rate of \$4,250 per day. Hire is paid every 15 days in advance less a 6.25% brokerage commission, which included the 1.25% commission payable to Genco. The vessel delivered to charterers on February 12, 2015 after repositioning. The vessel redelivered to Baltic Trading on February 8, 2015.

(10) We have reached an agreement to enter these vessels into the Bulkhandling Handymax A/S Pool, a vessel pool trading in the spot market of which Torvald Klaveness acts as the pool manager. Baltic Trading can withdraw a vessel with three months' notice.

(11) We have reached an agreement with Harmony Innovation Shipping Ltd. on a time charter for approximately 25 days at a rate of \$3,650 per day. Hire is paid every 15 days in advance less a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco. The vessel delivered to charterers on February 20, 2015 after repositioning. The vessel redelivered to Baltic Trading on February 11, 2015.

(12) We have reached an agreement with Trammo Bulk Carriers on a spot-market related time charter for 15.5 to 19.5 months based on 107% of the average of the daily rates of the Baltic Handysize Index (BHSI), published by the Baltic Exchange, as reflected in

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daily reports. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco. The vessel delivered to charterers on October 3, 2014.

(13) We have reached an agreement with Trammo Bulk Carriers on a spot market-related time charter for 10.5 months to a maximum expiration date of April 1, 2015 based on 106% of the average of the daily rates of the BHSI, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco.

(14) We have reached an agreement with Clipper Bulk Shipping Ltd. on a spot-market related time charter based on 103.5% of the average of the daily rates of the BHSI, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco. The minimum and maximum expiration dates of the time charter are July 17, 2015 and October 1, 2015, respectively. The vessel delivered to charterers on November 7, 2014.

(15) We have reached an agreement to enter these vessels into the Clipper Logger Pool, a vessel pool trading in the spot market of which Clipper Group acts as the pool manager. The vessels will remain in the pool for a minimum period of two years.

The Company's vessels regularly move between countries in international waters, over hundreds of trade routes and, as a result, the disclosure of financial information about geographic areas is impracticable.

### CLASSIFICATION AND INSPECTION

All of our vessels have been certified as being in class by the American Bureau of Shipping (ABS), DNVGL or Lloyd's Register of Shipping (Lloyd's). Each of these classification societies is a member of the International Association of Classification Societies. Every commercial vessel's hull and machinery is evaluated by a classification society authorized by its country of registry. The classification society certifies that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. Each vessel is inspected by a surveyor of the classification society in three surveys of varying frequency and thoroughness: every year for the annual survey, every two to three years for the intermediate survey and every four to five years for special surveys. Special surveys always require drydocking. Vessels that are 15 years old or older are required, as part of the intermediate survey process, to be drydocked every 24 to 30 months for inspection of the underwater portions of the vessel and for necessary repairs stemming from the inspection.

In addition to the classification inspections, many of our customers regularly inspect our vessels as a precondition to chartering them for voyages. We believe that our well-maintained, high-quality vessels provide us with a competitive advantage in the current environment of increasing regulation and customer emphasis on quality.

We have implemented the International Safety Management Code, which was promulgated by the International Maritime Organization, or IMO (the United Nations agency for maritime safety and the prevention of marine pollution by ships), to establish pollution prevention requirements applicable to vessels. We obtained documents of compliance for our offices and safety management certificates for all of our vessels, which are required by the IMO.

## **CREWING AND EMPLOYEES**

Each of our vessels is crewed with 21 to 24 officers and seamen. Our technical managers are responsible for locating and retaining qualified officers for our vessels. The crewing agencies handle each seaman's training, travel and payroll, and ensure that all the seamen on our vessels have the qualifications and licenses required to comply with international regulations and shipping conventions. We typically man our vessels with more crew members than are required by the country of the vessel's flag in order to allow for the performance of routine maintenance duties.

As of March 2, 2015, we employed 34 shore-based personnel and approximately 1,530 seagoing personnel on our vessels, including those of Baltic Trading.

## **CUSTOMERS**

Our assessment of a charterer's financial condition and reliability is an important factor in negotiating employment for our vessels. We generally charter our vessels to major trading houses (including commodities traders), major producers and government-owned entities rather than to more speculative or undercapitalized entities. Our customers include national, regional and international companies, such as Cargill, Pacbasin, Swissmarine and the Clipper Logger Pool. For the year ended December 31, 2014, two of our charterers, Cargill and Swissmarine, accounted for more than 10% of our voyage revenue, or 39.82%, in the aggregate.

## COMPETITION

Our business fluctuates in line with the main patterns of trade of the major drybulk cargoes and varies according to changes in the supply and demand for these items. We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location and size, age and condition of the vessel, as well as on our reputation as an owner and operator. We compete with other owners of drybulk carriers in the Capesize, Panamax, Ultramax, Supramax, Handymax and Handysize class sectors, some of whom may also charter our vessels as customers. Ownership of drybulk carriers is highly fragmented and is divided among approximately 1,721 independent drybulk carrier owners.

## PERMITS AND AUTHORIZATIONS

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and other authorizations with respect to our vessels. The kinds of permits, licenses, certificates and other authorizations required for each vessel depend upon several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of the vessel. We believe that we have all material permits, licenses, certificates and other authorizations necessary for the conduct of our operations. However, additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of our doing business.

## INSURANCE

### *General*

The operation of any drybulk vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. The U.S. Oil Pollution Act of 1990, or OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of vessels trading in the U.S.-exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the U.S. market.

While we maintain hull and machinery insurance, war risks insurance, protection and indemnity cover, and freight, demurrage and defense cover and loss of hire insurance for our fleet in amounts that we believe to be prudent to cover normal risks in our operations, we may not be able to achieve or maintain this level of coverage throughout a vessel's useful life. Furthermore, while we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

### *Hull and Machinery, War Risks, Kidnap and Ransom Insurance*

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We maintain marine hull and machinery, war risks and kidnap and ransom insurance which cover the risk of actual or constructive total loss, for all of our vessels. Our vessels are each covered up to at least fair market value with deductibles, which depend primarily on the class of the insured vessel and are subject to change. We are covered, subject to limitations in our policy, to have the crew released in the case of kidnapping due to piracy in the Gulf of Aden / Somalia.

### *Protection and Indemnity Insurance*

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, which insure our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses resulting from the injury or death of crew, passengers and other third parties, the loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or clubs. Subject to the capping discussed below, our coverage, except for pollution, is unlimited.

We maintain protection and indemnity insurance coverage for pollution of \$1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. We are a member of P&I Associations, which are members of the International Group. As a result, we are subject to calls payable to the associations based on the group's claim records as well as the claim records of all other members of the individual associations and members of the pool of P&I Associations comprising the International Group.



*Loss of Hire Insurance*

We maintain loss of hire insurance, which covers business interruptions and related losses that result from the loss of use of a vessel. Our loss of hire insurance has a 14-day deductible and provides claim coverage for up to 90 days.

**ENVIRONMENTAL AND OTHER REGULATION**

Government regulation significantly affects the ownership and operation of our vessels. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of governmental and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities, (applicable national authorities such as the U.S. Coast Guard and harbor masters), classification societies, flag state administrations (countries of registry) and charterers. Some of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Our failure to maintain necessary permits, licenses, certificates or authorizations could require us to incur substantial costs or temporarily suspend the operation of one or more of our vessels.

In recent periods, heightened levels of environmental and operational safety concerns among insurance underwriters, regulators and charterers have led to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the drybulk shipping industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident, such as one comparable to the 2010 *Deepwater Horizon* oil spill, that results in significant oil pollution or otherwise causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

*International Maritime Organization (IMO)*

The United Nations International Maritime Organization (the IMO) has adopted the International Convention for the Prevention of Pollution from Ships of 1973, as modified by the Protocol of 1978 relating thereto (collectively referred to as MARPOL 73/78 and herein as MARPOL). MARPOL entered into force on October 2, 1983. It has been adopted by over 150 nations, including many of the jurisdictions in which our vessels operate. MARPOL is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried, in bulk, in liquid or packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997.

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In 2013, IMO's Maritime Environment Protection Committee (MEPC) adopted by resolution amendments to the MARPOL Annex I Conditional Assessment Scheme (CAS). These amendments, which became effective on October 1, 2014, pertain to revising references to the inspections of bulk carriers and tankers after the 2011 International Code on the Enhanced Programme of Inspections during Surveys of Bulk Carriers and Oil Tankers (ESP Code), which enhances the programs of inspections, becomes mandatory. We may need to make certain financial expenditures to comply with these amendments which we do not anticipate to be material.

### *Air Emissions*

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution. Effective May 2005, and as subsequently revised, Annex VI sets limits on nitrogen oxide emissions from ships whose diesel engines were constructed (or underwent major conversions) on or after January 1, 2000. It also prohibits deliberate emissions of ozone depleting substances, defined to include certain halons and chlorofluorocarbons. Deliberate emissions are not limited to times when the ship is at sea; they can for example include discharges occurring in the course of the ships repair and maintenance. Emissions of volatile organic compounds from certain tankers, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls (PCBs)) are also prohibited. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, known as Emission Control Areas, or ECAs (see below).

The MEPC, adopted amendments to Annex VI on October 10, 2008, which entered into force on July 1, 2010. The amended

Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. As of January 1, 2012, the amended Annex VI requires that fuel oil contain no more than 3.50% sulfur (from the previous cap of 4.50%). By January 1, 2020, sulfur content must not exceed 0.50%, subject to a feasibility review to be completed no later than 2018.

Sulfur content standards are even stricter within certain Emission Control Areas ( ECAs ). As of July 1, 2010, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 1.0% (from 1.50%), which was further reduced to 0.10% on January 1, 2015. Amended Annex VI establishes procedures for designating new ECAs. The Baltic Sea and the North Sea have been so designated. Effective August 1, 2012, certain coastal areas of North America were designated ECAs, and as of January 1, 2014 the applicable areas of the United States Caribbean Sea were designated ECAs. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S. Environmental Protection Agency ( EPA ) or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships in part to address greenhouse gas emissions. All new ships are required to utilize the Energy Efficiency Design Index ( EEDI ) and all ships must use a Ship Energy Efficiency Management Plan ( SEEMP ). Our fleet is already compliant with this requirement.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The EPA promulgated equivalent (and in some senses stricter) emissions standards in late 2009.

#### *Safety Management System Requirements*

The IMO also adopted the International Convention for the Safety of Life at Sea of 1974 ( SOLAS ) and the International Convention on Load Lines ( LL Convention ) which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS Convention and LL Convention standards. SOLAS amendments that related to the safe manning of vessels were adopted by the IMO in May 2012 entered in force as of January 1, 2014. The Convention on Limitation of Liability for Maritime Claims ( LLMC ) was recently amended, and the amendments are expected to go into effect on June 8, 2015. The foregoing amendments alter the limits of liability for loss of life or personal injury and property claims against ship owners.

Under Chapter IX of SOLAS, the International Management Code for the Safe Operation of Ships and for Pollution Prevention( ISM Code ), our operations are also subject to environmental standards and requirements. The ISM Code requires the owner of a vessel, or any person who has taken responsibility for operation of a vessel, to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical manager have developed for compliance with the ISM Code. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators also obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel s management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. We believe that we have all material

requisite documents of compliance for our offices and safety management certificates for all of our vessels for which such certificates are required by the IMO. We renew these documents of compliance and safety management certificates as required.

*Pollution Control and Liability Requirements*

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the nation's signatory to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships Ballast Water and Sediments (BWM Convention) in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not become effective until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. To date, there has not been sufficient adoption of this standard for it to take force. Many of the implementation dates in the BWM Convention have already passed, so that once the BWM Convention enters into force, the period of installation of mandatory ballast water exchange requirements would be extremely short, with several thousand ships a year needing to install ballast water management systems (BWMS). For this reason, on December 4, 2013, the IMO Assembly passed a resolution revising the application dates of the BWM Convention so that they are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect,

makes all vessels constructed before the entry into force date existing vessels and allows for the installation of a BWMS on such vessels at the first renewal survey following entry into force of the convention. Once mid-ocean ballast exchange ballast water treatment requirements become mandatory, the cost of compliance could increase for ocean carriers. The system specification requirements for trading in the United States have not been formalized, but we believe the ballast water treatment systems will range from \$0.7 million to \$1.0 million each, primarily dependent on the size of the vessel.

Many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocol in 1976, 1984, and 1992, and amended in 2000 (the CLC ). Under the CLC and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain exceptions. The 1992 Protocol changed certain limits on liability, expressed using the International Monetary Fund currency unit of Special Drawing Rights. The limits on liability have since been amended so that the compensation limits on liability were raised. The right to limit liability is forfeited under the CLC where the spill is caused by the ship owner's personal fault and under the 1992 Protocol where the spill is caused by the ship owner's personal act or omission by intentional or reckless conduct where the ship owner knew pollution damage would probably result. The CLC requires ships covered by it to maintain insurance covering the liability of the owner in a sum equivalent to an owner's liability for a single incident. We believe that our protection and indemnity insurance will cover the liability under the plan adopted by the IMO.

The IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, to impose strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

Noncompliance with the ISM Code or other IMO regulations may subject the vessel owner or bareboat charterer to increased liability, lead to decreases in available insurance coverage for affected vessels or result in the denial of access to, or detention in, some ports. The U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificates will be maintained in the future.

#### *Anti-Fouling Requirements*

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships (the Anti-fouling Convention ). The Anti-fouling Convention prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels. The exteriors of vessels constructed prior to January 1, 2003 that have not been in drydock must, as of September 17, 2008, either not contain the prohibited compounds or have coatings applied to the vessel exterior that act as a barrier to the leaching of the prohibited compounds. Vessels of over 400 gross tons engaged in international voyages must obtain an International Anti-fouling System Certificate and undergo a survey before the vessel is put into service or when the anti-fouling systems are altered or replaced. We have obtained Anti-fouling System Certificates for all of our vessels that are subject to the Anti-fouling Convention.

*The U.S. Oil Pollution Act of 1990 and the Comprehensive Environmental Response, Compensation and Liability Act*

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The U.S. Oil Pollution Act of 1990 ( OPA ) established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S. territorial sea and the 200 nautical mile exclusive economic zone around the U.S.. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act ( CERCLA ) which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define owner or operator in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Accordingly, both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are responsible parties and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. OPA defines these other damages broadly to include:

- injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;

- injury to, or economic losses resulting from, the destruction of real and personal property;
- net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property or natural resources;
- loss of subsistence use of natural resources that are injured, destroyed or lost;
- lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective July 31, 2009, the U.S. Coast Guard adjusted the limits of OPA liability for non-tank vessels to the greater of \$1,000 per gross ton or \$854,400 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsibility party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damage for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5 million for vessels carrying a hazardous substance as cargo and the greater of \$300 per gross ton or \$500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law.

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the U.S. Coast Guard (the USCG) evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We plan to comply with the U.S. Coast Guard's financial responsibility regulations by providing a certificate of responsibility evidencing sufficient insurance.

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico may also result in additional regulatory initiatives or statutes, including the raising of liability caps under OPA. For example, on August 15, 2012, the U.S. Bureau of Safety and Environmental Enforcement ( BSEE ) implemented a final drilling safety rule for offshore oil and gas operations that strengthens the requirements for safety equipment, well control systems, and blowout prevention practices. On February 24, 2014, the U.S. Bureau of Ocean Energy Management ( BOEM ) proposed a rule increasing the limits of liability of damages for offshore facilities under OPA based on inflation. Compliance with any new requirements of OPA may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes. Additional legislation, regulations, or other requirements applicable to the operation of our vessels that may be implemented in the future could adversely affect our business.

While we do not carry oil as cargo, we do carry bunkers in our drybulk carriers. We currently maintain pollution liability coverage insurance in the amount of \$1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends.

*Other United States Environmental Regulations*

The U.S. Clean Water Act ( CWA ) prohibits the discharge of oil or hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any



unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. In addition, many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law.

The EPA has enacted rules requiring a permit regulating ballast water discharges and other discharges incidental to the normal operation of certain vessels within U.S. waters under the Vessel General Permit for Discharges Incidental to the Normal Operation of vessels (the VGP). For a new vessel delivered to an owner or operator after September 19, 2019 to be covered by the VGP, the owner must submit a Notice of Intent (NOI) at least 30 days before the vessel operates in U.S. waters. On March 28, 2013, the EPA re-issued the VGP for another five years; this 2013 VGP took effect December 19, 2013. The 2013 VGP contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants. We have submitted NOIs for our vessels where required.

The USCG regulations adopted under the U.S. National Invasive Species Act (the NISA) also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters which require the installation of equipment to treat ballast water before it is discharged in U.S. waters or, in the alternative, the implementation of other port facility disposal arrangements or procedures. Vessels not complying with these regulations are restricted from entering U.S. waters. The USCG must approve any technology before it is placed on a vessel.

The U.S. Clean Air Act of 1970, including its amendments of 1977 and 1990 (the CAA), requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The CAA also requires states to draft State Implementation Plans (SIPs) designed to attain national health-based air quality standards in primarily major metropolitan areas and/or industrial areas. Some SIPs may include regulations relating to emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. To the extent applicable to our vessels, the operation of our vessels is in compliance with the CAA.

However, compliance with future EPA and USCG regulations could require the installation of certain engineering equipment and water treatment systems to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

#### *European Union Regulations*

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. Member States were required to enact laws or regulations to comply with the directive by the end of 2010. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger.

#### *Greenhouse Gas Regulation*

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Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions. As of January 1, 2013, all new ships must comply with two new sets of mandatory requirements, which were adopted by MEPC in July 2011, to address greenhouse gas emissions from ships. Currently operating ships will be required to develop SEEMPs, and minimum energy efficiency levels per capacity mile will apply to new ships, as defined by the EEDI. These requirements could cause us to incur additional compliance costs. The IMO is also planning to implement market-based mechanisms to reduce greenhouse gas emissions from ships at an upcoming MEPC session. The European Parliament and Council of Ministers are expected to endorse regulations that would require monitoring and reporting of greenhouse gas emissions from marine vessels in 2015. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. The EPA enforces both the CAA and the international standards found in Annex VI of MARPOL concerning marine diesel emissions, and the sulfur content found in marine fuel. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures, including capital expenditures to upgrade our vessels, which we cannot predict with certainty at this time.

*International Labour Organization*

The International Labour Organization (ILO) is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006 ( MLC 2006 ). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance will be required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 entered into force on August 20, 2013. The MLC 2006 requires us to develop new procedures to ensure full compliance with its requirements.

*Vessel Security Regulations*

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the U.S. Maritime Transportation Security Act of 2002, or the MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. The regulations also impose requirements on certain ports and facilities, some of which are regulated by the EPA.

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter V became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the International Ship and Port Facilities Security Code (the ISPS Code ). The ISPS Code is designed to enhance the security of ports and ships against terrorism. Amendments to SOLAS Chapter VII, made mandatory in 2004, apply to vessels transporting dangerous goods and require those vessels to be in compliance with the International Maritime Dangerous Goods Code ( IMDG Code ). To trade internationally, a vessel must attain an International Ship Security Certificate ( ISSC ) from a recognized security organization approved by the vessel's flag state. Among the various requirements are:

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status;
- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
- the development of vessel security plans;
- ship identification number to be permanently marked on a vessel's hull;
- a continuous synopsis record kept onboard showing a vessel's history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and

- compliance with flag state security certification requirements.

A ship operating without a valid certificate may be detained at port until it obtains an ISSC, or may be expelled from port or refused entry at port.

The USCG regulations, intended to align with international maritime security standards, exempt from MTSA vessel security measures non-U.S. vessels that have on board, as of July 1, 2004, a valid ISSC attesting to the vessel's compliance with SOLAS security requirements and the ISPS Code. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code.

#### *Inspection by Classification Societies*

Every oceangoing vessel must be classed by a classification society. The classification society certifies that the vessel is in class, signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class certification, regular and extraordinary surveys of hull, machinery, including the electrical plant,

and any special equipment classes are required to be performed as follows:

- *Annual Surveys:* For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, within three months before or after each anniversary date of the date of commencement of the class period indicated in the certificate.
- *Intermediate Surveys:* Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys are to be carried out at or between the occasion of the second or third annual survey.
- *Class Renewal Surveys:* Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a vessel owner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. Upon a vessel owner's request, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Most vessels are also drydocked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a recommendation which must be rectified by the vessel owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as *in class* by a classification society which is a member of the International Association of Classification Societies ( IACS ). In December 2013, the IACS adopted new harmonized Common Structural Rules, which will apply to oil tankers and bulk carriers contracted to be constructed on or after July 1, 2015. All of our vessels have been certified as being *in class* by ABS, DNVGL or Lloyd's. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard agreements.

## SEASONALITY

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, charter rates. We seek to mitigate the risk of these seasonal variations by entering into long-term time charters for our vessels, where possible. However, this seasonality

may result in quarter-to-quarter volatility in our operating results, depending on when we enter into our time charters or if our vessels trade on the spot market. The drybulk sector is typically stronger in the fall and winter months in anticipation of increased consumption of coal and raw materials in the northern hemisphere during the winter months. As a result, our revenues could be weaker during the fiscal quarters ended June 30 and September 30, and conversely, our revenues could be stronger during the quarters ended December 31 and March 31.

ITEM 1A. RISK FACTORS

**ADDITIONAL FACTORS THAT MAY AFFECT FUTURE RESULTS**

This annual report on Form 10-K contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements use words such as anticipate, budget, estimate, expect, project, intend, believe, and other words and terms of similar meaning in connection with a discussion of potential future events, circumstances or future operating or financial performance. These forward-looking statements are based on our management's current expectations and observations. Included among the factors that, in our view, could cause actual results to differ materially from the forward looking statements contained in this annual report on Form 10-K are the following: (i) declines in demand or rates in the drybulk shipping industry; (ii) prolonged weakness in drybulk shipping rates; (iii) changes in the supply of or demand for drybulk products, generally or in particular regions; (iv) changes in the supply of drybulk carriers including newbuilding of vessels or lower than anticipated scrapping of older vessels; (v) changes in rules and regulations applicable to the cargo industry, including, without limitation, legislation adopted by international organizations or by individual countries and actions

taken by regulatory authorities; (vi) increases in costs and expenses including but not limited to: crew wages, insurance, provisions, lube oil, bunkers, repairs, maintenance and general, administrative and management fee expenses; (vii) whether our insurance arrangements are adequate; (viii) changes in general domestic and international political conditions; (ix) acts of war, terrorism, or piracy; (x) changes in the condition of our vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated drydocking or maintenance and repair costs) and unanticipated drydock expenditures; (xi) our acquisition or disposition of vessels (xii) the amount of offhire time needed to complete repairs on vessels and the timing and amount of any reimbursement by our insurance carriers for insurance claims, including off-hire days; (xiii) the completion of definitive documentation with respect to time charters; (xiv) charterers' compliance with the terms of their charters in the current market environment; (xv) the fulfillment of the closing conditions under, or the execution of additional documentation for, Baltic Trading's agreements to acquire vessels; (xvi) obtaining, completion of definitive documentation for, and funding of financing for the vessel acquisitions on acceptable terms; (xvii) the extent to which our operating results continue to be affected by weakness in market conditions and charter rates; (xviii) our ability to maintain contracts that are critical to our operation, to obtain and maintain acceptable terms with our vendors, customers and service providers and to retain key executives, managers and employees; (xix) the timing and realization of the recoveries of assets and the payments of claims and the amount of expenses required to recognize such recoveries and reconcile such claims; (xx) our ability to obtain sufficient and acceptable post-restructuring financing; (xxi) those other risks and uncertainties discussed below under the headings RISK FACTORS RELATED TO OUR BUSINESS & OPERATIONS, and (xxii) other factors listed from time to time in our filings with the Securities and Exchange Commission (the "SEC"). We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following risk factors and other information included in this report should be carefully considered. If any of the following risks actually occur, our business, financial condition, operating results or cash flows could be materially and adversely affected and the trading price of our common stock could decline.

## **RISK FACTORS RELATED TO OUR BUSINESS AND OPERATIONS**

### **Industry Specific Risk Factors**

*The current global economic environment may continue to negatively impact our business.*

While economies in certain parts of the world are in the initial stages of recovery, growth in economies such as China that have historically led to increased demand for drybulk cargoes has decelerated. Decreasing demand for drybulk cargoes has led to lower demand for drybulk vessels, which combined with increased supply of drybulk vessels has created downward pressure on charter rates. General market volatility has endured as a result of uncertainty about sovereign debt and government austerity measures and speculation about the growth rate of the Chinese economy. The economies of the European Union and other parts of the world continue to experience relatively slow growth or exhibit weak economic trends. If the current global economic environment persists or worsens, we may be negatively affected in the following ways:

- We may not be able to employ our vessels at charter rates as favorable to us as historical rates or operate our vessels profitably.
- Our earnings and cash flows could remain at depressed levels or decline, which may leave us with insufficient cash resources to make required amortization payments under our credit facilities or cause us to breach one or more of the covenants in our credit facilities, thereby potentially accelerating the repayment of outstanding indebtedness. Please refer to Restrictive covenants under our credit facilities may be difficult to satisfy in the current market environment below for further details.

- The market values of our vessels have decreased, which may cause us to recognize losses if any of our vessels are sold or if their values are impaired. A further decline in the market value of our vessels could trigger defaults under our credit facilities' covenants. In particular, all of our credit facilities contain collateral maintenance covenants. Please refer to "The market values of our vessels may decrease, which could adversely affect our operating results or cause us to breach one or more of the covenants in our credit facilities" below for further details.
- Our charterers may fail to meet their obligations under our time charter agreements.
- The value of our investment in Jinhui could further decline, and we may recognize additional losses if we were to sell our shares or if the value of our investment is impaired.

The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.



*Charterhire rates for drybulk carriers are volatile and are currently at historically low levels and may further decrease in the future, which may adversely affect our earnings.*

The prolonged downturn in the drybulk charter market, from which we derive the large majority of our revenues, has severely affected the drybulk shipping industry. The Baltic Dry Index ( BDI ), an index published by The Baltic Exchange of shipping rates for 26 key drybulk routes, showed relative weakness in 2014 and recorded an average level of 1,105, compared to a ten-year average level of 2,964, as of February 18, 2015. The BDI was at a peak of 2,113 in January 2014 and reached a low of 723 in July 2014. As volatility persisted, the BDI climbed to a peak of 1,484 in November 2014 and has since retreated to reach a level of 509 as of February 18, 2015. As the BDI remains volatile, there can be no assurance that the drybulk charter market will increase further, and the market could decline.

The year to date in 2015 has exhibited seasonal issues like those of the corresponding periods in previous years, with seasonal factors contributing to the most recent downturn in rates, including the order timing issues for iron ore cargoes related to the celebration of the Chinese New Year and increased deliveries of newbuilding vessels for the month of January as compared to the previous three months. In addition to these factors, there have been a number of adverse consequences for drybulk shipping, including, among other things:

- an ongoing limited availability of financing for vessels;
- a relatively less active second-hand market for the sale of vessels;
- extremely low charter rates, particularly for vessels employed in the spot market;
- widespread loan covenant defaults in the drybulk shipping industry; and
- declaration of bankruptcy by some operators and shipowners as well as charterers.

Approximately 80% of our vessels, including Baltic Trading, are currently traded at spot market rates through spot market-related time charters or in a vessel pool. For these vessels, we are exposed to changes in spot market. For the remaining vessels that are on fixed-rate time charters, we are exposed to changes in spot market rates for drybulk carriers at the time of entering into charterhire contracts and such changes may affect our earnings and the value of our drybulk carriers at any given time. We cannot assure you that we will be able to successfully charter our vessels in the future or renew existing charters at rates sufficient to allow us to meet our obligations or to pay dividends to our shareholders. The supply of and demand for shipping capacity strongly influences freight rates. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include:

- demand for and production of drybulk products;
- global and regional economic and political conditions, including developments in international trade, fluctuations in industrial and agricultural production and armed conflicts;
- the distance drybulk cargo is to be moved by sea;
- environmental and other regulatory developments; and
- changes in seaborne and other transportation patterns.

The factors that influence the supply of vessel capacity include:

- the number of newbuilding deliveries;
- port and canal congestion;
- the scrapping rate of older vessels;
- vessel casualties;

- conversion of vessels to other uses;
- the number of vessels that are out of service, i.e., laid-up, drydocked, awaiting repairs or otherwise not available for hire; and
- environmental concerns and regulations

In addition to the prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance and insurance coverage, the efficiency and age profile of the existing fleet in the market and government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions.

We anticipate that the future demand for our drybulk carriers will be dependent upon economic growth in the world's economies, particularly China and India, seasonal and regional changes in demand, changes in the capacity of the global drybulk carrier fleet and the sources and supply of drybulk cargo to be transported by sea. Adverse economic, political, social or other developments, including a change in worldwide fleet capacity, could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*The current oversupply of drybulk carrier capacity may lead to further reductions in charterhire rates and profitability.*

The market supply of drybulk carriers has been increasing as a result of the delivery of numerous newbuilding orders over the last few years. Newbuildings have been delivered in significant numbers since the beginning of 2006. The oversupply of drybulk carrier capacity has resulted in a reduction of charterhire rates, as evidenced by the low rates we have experienced during 2014. Currently, some of our spot market-related time charterers are at times unprofitable due to the volatility associated with dry cargo freight rates. If market conditions persist, upon the expiration or termination of our vessels' current non-spot charters, we may only be able to re-charter our vessels at reduced or unprofitable rates, or we may not be able to charter these vessels at all. The occurrence of these events could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*The market values of our vessels may decrease, which could adversely affect our operating results or cause us to breach one or more of the covenants in our credit facilities.*

If the book value of one of our vessels is impaired due to unfavorable market conditions or a vessel is sold at a price below its book value, we would incur a loss that could adversely affect our financial results. Also, if the market value of our fleet declines, we may not be in compliance with certain provisions of our credit facilities, and we may not be able to refinance our debt or obtain additional financing under our credit facilities or otherwise. We are also subject to collateral maintenance covenants in our credit facilities, including those of Baltic Trading. A decrease in the fair market value of our vessels may cause us to breach one or more of the covenants in the \$100 Million Term Loan Facility, the \$253 Million Term Loan Facility, 2010 Baltic Trading Credit Facility, Baltic Trading \$22 Million Term Loan Facility, the Baltic Trading \$44 Million Term Loan Facility, the 2014 Baltic Trading Term Loan facilities or the Baltic Trading \$148 Million Credit Facility, which could

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accelerate the repayment of outstanding borrowings under our facilities. We cannot assure you that we will satisfy all our debt covenants in the future or that our lenders will waive any future failure to satisfy these covenants. The occurrence of these events could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

After our January 9, 2015 amortization payment of \$5.1 million, we were slightly under the required threshold for the meeting of the collateral maintenance tests under our \$253 Million Term Loan Facility, having a shortfall in the value of our vessels of approximately \$0.2 million. At February 17, 2014, we did not meet the collateral maintenance test under our \$100 Million Term Loan Facility, having a shortfall in the value of our vessels of approximately \$5.2 million. Under each facility, we must remedy such shortfall within 30 days from the time we are notified by the security agent. We have not been notified by the \$100 Million Term Loan Facility's security agent to take any remedial actions. We have been in communication with the \$100 Million Term Loan Facility's security agent and plan to add one of our unencumbered handysize vessels as additional collateral to cover the shortfall. We have not been notified by the security agent under the \$253 Million Term Loan Facility to take any action to remedy the slight shortfall under such facility. We have been in communication with the \$253 Million Term Loan Facility's security agent, and we prepaid \$0.2 million of the outstanding indebtedness on March 2, 2015 which will reduce the next scheduled amortization payment of \$5.1 million due in early April 2015. See the discussions of these tests in Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for further details.

*Prolonged declines in charter rates and other market deterioration could cause us to incur impairment charges.*

We evaluate the carrying amounts of our vessels to determine if events have occurred that would require us to evaluate our vessels for an impairment of their carrying amounts. The recoverable amount of vessels is reviewed based on events and changes in circumstances that would indicate that the carrying amount of the assets might not be recovered. The review for potential impairment indicators and projection of future cash flows related to the vessels is complex and requires us to make various estimates including future freight rates and earnings from the vessels. All of these items have been historically volatile.

We evaluate the recoverable amount as the higher of fair value and value in use on an undiscounted cash basis. If the recoverable amount is less than the carrying amount of the vessel, the vessel is deemed impaired and such vessel would be written down to its fair value. The carrying values of our vessels may not represent their fair market value in the future because the new market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Any impairment charges incurred as a result of declines in charter rates could have a material adverse effect on our business, results of operations, cash flows and financial condition.

*A further economic slowdown or changes in the economic and political environment in the Asia Pacific region could have a material adverse effect on our business, financial position and results of operations.*

A significant number of the port calls made by our vessels involve the loading or discharging of raw materials and semi-finished products in ports in the Asia Pacific region. As a result, a negative change in economic conditions in any Asia Pacific country, and particularly in China, India or Japan, could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends. In particular, in recent years, China has been one of the world's fastest growing economies in terms of gross domestic product. China's gross domestic product grew by 7.4% in 2014 as compared to a 7.7% growth rate in 2013. We cannot assure you that the Chinese economy will not experience a significant contraction in the future. If the Chinese government does not continue to pursue a policy of economic growth and urbanization, the level of imports to and exports from China could be adversely affected by changes to these initiatives by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions. Notwithstanding economic reform, the Chinese government may adopt policies that favor domestic drybulk shipping companies and may hinder our ability to compete with them effectively. Moreover, a significant or protracted slowdown in the economies of the United States, the European Union or various Asian countries may adversely affect economic growth in China and elsewhere. Our business, results of operations, cash flows, financial condition and ability to pay dividends will likely be materially and adversely affected by an economic downturn in any of these countries.

*We are subject to regulation and liability under environmental and operational safety laws that could require significant expenditures and affect our cash flows and net income and could subject us to increased liability under applicable law or regulation.*

Our business and the operation of our vessels are materially affected by government regulation in the form of international conventions and national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the countries of their registration. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with them or their impact on the resale prices or useful lives of our vessels. Additional conventions, laws and regulations may be adopted that could limit our ability to do business or increase the cost of our doing business and that may materially adversely affect our business, results of operations, cash flows, financial condition and ability to pay dividends. See Overview Environmental and Other Regulation in Item 1, Business of this report for a discussion of such conventions, laws, and regulations. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and financial assurances with respect to our operations.

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The operation of our vessels is affected by the requirements set forth in the United Nations International Maritime Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention (the ISM Code). The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive Safety Management System that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The U.S. Oil Pollution Act of 1990 (OPA) established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in U.S. waters. OPA allows for liability without regard to fault of vessel owners, operators and demise charterers for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers, in U.S. waters. Such liability is potentially unlimited in cases of willful misconduct or gross negligence. OPA also expressly permits individual states to impose their own liability regimes with regard to

hazardous materials and oil pollution materials occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA.

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

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

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

*We operate our vessels worldwide and as a result, our vessels are exposed to international risks which could reduce revenue or increase expenses.*

The international shipping industry is an inherently risky business involving global operations. Our vessels will be at risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. All these hazards can result in death or injury to persons, increased costs, loss of revenues, loss or damage to property (including cargo), environmental damage, higher insurance rates, damage to our customer relationships, harm to our reputation as a safe and reliable operator and delay or rerouting. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. Our vessels may operate in particularly dangerous areas, including areas of the Indian Ocean, the Gulf of Aden, the South China Sea and the Red Sea. These sorts of events could interfere with shipping routes and result in market disruptions which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*Our vessels may suffer damage, and we may face unexpected dry docking costs, which could adversely affect our cash flow and financial condition.*

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. We may have to pay drydocking costs that our insurance does not cover in full. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or we may be forced to travel to a drydocking facility that is distant from the relevant vessel's position. The loss of earnings while our vessels are being repaired and repositioned or from being forced to wait for space or to travel to more distant drydocking facilities, as well as the actual cost of repairs, could negatively impact our business, results of operations, cash flows, financial condition and ability to pay dividends.

*The operation of drybulk carriers has certain unique operational risks which could affect our earnings and cash flow.*

The operation of certain ship types, such as drybulk carriers, has certain unique risks. With a drybulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, drybulk cargoes are often heavy, dense, easily shifted, and react badly to water exposure. In addition, drybulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach to the sea. Hull breaches in drybulk carriers may lead to the flooding of the vessels' holds. If a drybulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads, leading to the loss of a vessel. If we are unable to adequately maintain our vessels, we may be unable to prevent these events. Any of these circumstances or events may have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

*Acts of piracy on ocean-going vessels have continued and could adversely affect our business.*

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean, the Gulf of Aden and the Red Sea. Since 2008, the frequency of piracy incidents increased significantly, particularly in the Gulf of Aden off the coast of Somalia. If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as "war risk" zones, or Joint War Committee (JWC) "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred to the extent we employ onboard security guards, could increase in such circumstances. We



may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows, financial condition and ability to pay dividends.

In response to piracy incidents, particularly in the Gulf of Aden off the coast of Somalia, following consultation with regulatory authorities, we may station guards on some of our vessels in some instances. While our use of guards is intended to deter and prevent the hijacking of our vessels, it may also increase our risk of liability for death or injury to persons or damage to personal property. If we do not have adequate insurance in place to cover such liability, it could adversely impact our business, results of operations, cash flows, and financial condition.

*Terrorist attacks and other acts of violence or war may have an adverse effect on our business, results of operations and financial condition.*

Terrorist attacks continue to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. Continuing conflicts and recent developments in the Middle East, including Egypt, and North Africa, and the presence of U.S. and other armed forces in the Middle East, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Any of these occurrences could have a material adverse impact on our business, results of operation, and financial condition.

*Compliance with safety and other vessel requirements imposed by classification societies may be costly and could reduce our net cash flows and net income.*

The hull and machinery of every commercial vessel must be certified as being in class by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention. Our vessels are currently enrolled with the ABS, DNVGL, or Lloyd's, each of which is a member of the International Association of Classification Societies. Further, to trade internationally, a vessel must attain an International Ship Security Certificate (ISSC) from a recognized security organization.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be placed on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Our vessels are on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be drydocked every five years during the special survey. For vessels that are less than 15 years old, intermediate surveys can be performed in the form of in-water examination of its underwater parts every two to three years. For vessels that are older than 15 years, the vessel is required to be drydocked during the intermediate survey as well as the special survey.

If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable and we could be in violation of certain covenants in our credit facilities, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

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*We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, UK Bribery Act, and other applicable worldwide anti-corruption laws.*

The U.S. Foreign Corrupt Practices Act ( FCPA ) and other applicable worldwide anti-corruption laws generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. These laws include the recently enacted U.K. Bribery Act, which became effective on July 1, 2011 and which is broader in scope than the FCPA, as it contains no facilitating payments exception. We charter our vessels into some jurisdictions that international corruption monitoring groups have identified as having high levels of corruption. Our activities create the risk of unauthorized payments or offers of payments by one of our employees or agents that could be in violation of the FCPA or other applicable anti-corruption laws. Our policies mandate compliance with applicable anti-corruption laws. Although we have policies, procedures and internal controls in place to monitor internal and external compliance, we cannot assure that our policies and procedures will protect us from governmental investigations or inquiries surrounding actions of our employees or agents. If we are found to be liable for violations of the FCPA or other applicable anti-corruption laws (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we could suffer from civil and criminal penalties or other sanctions.

*We may be unable to attract and retain qualified, skilled employees or crew necessary to operate our business.*

Our success depends in large part on our ability to attract and retain highly skilled and qualified personnel. In crewing our vessels, we require technically skilled employees with specialized training who can perform physically demanding work. Competition to attract and retain qualified crew members is intense. If we are not able to increase our rates to compensate for any crew cost increases, it could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends. Any inability our third-party technical managers or we experience in the future to hire, train and retain a sufficient number of qualified employees could impair our ability to manage, maintain and grow our business, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*Labor interruptions could disrupt our business.*

Our vessels are manned by masters, officers and crews that are employed by third parties. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest could prevent or hinder our operations from being carried out normally and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.*

We expect that our vessels will call in ports in South America and other areas where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims which could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*Arrests of our vessels by maritime claimants could cause a significant loss of earnings for the related off-hire period.*

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could result in a significant loss of earnings for the related off-hire period. In addition, in jurisdictions where the sister ship theory of liability applies, a claimant may arrest the vessel which is subject to the claimant's maritime lien and any associated vessel, which is any vessel owned or controlled by the same owner. In countries with sister ship liability laws, claims might be asserted against us or any of our vessels for liabilities of other vessels that we own.

*Governments could requisition our vessels during a period of war or emergency, resulting in loss of earnings.*

A government of a vessel's registry could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. A government could also requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or

emergency. Government requisition of one or more of our vessels could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*Changes in fuel prices could adversely affect our profits.*

From time to time, we operate vessels on spot charters either directly or by placing them in pools with similar vessels. Spot charter arrangements generally provide that the vessel owner or pool operator bear the cost of fuel in the form of bunkers, which is a significant vessel operating expense. We currently have 14 vessels operating in vessel pools, including Baltic Trading's vessels, and we may arrange for more vessels to do so, depending on market conditions. Depending on the timing of increases in the price of fuel and market conditions, we or pool operators with whom we contract may be unable to pass along increases in fuel prices to our customers. Currently, the majority of our vessels are operating under standard time charter arrangements, including Baltic Trading's vessels. Under standard time charter arrangements, the charterer bears the cost of fuel in the form of bunkers. At the commencement of a charter, the charterer purchases fuel from us at the then-prevailing market rates, and we are obligated to repurchase fuel at that same initial rate when the charterer redelivers the vessel back to us. Market rates at the time the charterer redelivers the vessel to us after completion of the charter (including any direct continuations) may be more or less than the prevailing market rates at the commencement of the charter. We believe the staggered nature of time charter expirations and the cyclical nature of fuel prices over time should reduce the risk of these repurchase obligations. However, the date of redelivery of vessels and fluctuations in the price and supply of fuel are unpredictable and therefore these arrangements could result in losses or reductions in working capital that are beyond our control. As is customary in our industry, we do not use hedging agreements on fuel to mitigate these risks. With respect to time charter agreements, we believe the variable expiration of the relevant contracts makes hedging agreements impractical or uneconomic

Given that under certain arrangements with short-term or spot charters, the vessel owner or pool operator may bear the cost of fuel, the recent volatility in fuel prices could be a factor affecting profitability in these arrangements. To profitably price an individual charter, the vessel owner or pool operator must take into account the anticipated cost of fuel for the duration of the charter. Changes in the actual price of fuel at the time the charter is to be performed could result in the charter being performed at a significantly greater or lesser profit than originally anticipated or even result in a loss.

*Our results of operations are subject to seasonal fluctuations, which may adversely affect our financial condition.*

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, charter rates. This seasonality may result in quarter-to-quarter volatility in our operating results, depending on when we enter into our time charters or if our vessels trade on the spot market. The drybulk sector is typically stronger in the fall and winter months in anticipation of increased consumption of coal and raw materials in the northern hemisphere during the winter months. As a result, our revenues could be weaker during the fiscal quarters ended June 30 and September 30, and conversely, our revenue could be stronger during the quarters ended December 31 and March 31. This seasonality could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

#### **Company Specific Risk Factors**

*Restrictive covenants under our credit facilities may be difficult to satisfy in the current market environment.*

If the current prolonged weakness in drybulk shipping rates does not abate, we may not be in compliance with the maximum leverage ratio and minimum permitted consolidated interest ratio covenants under our credit when these are measured at June 30, 2015.

Our credit facilities subject us to a number of restrictive covenants, including covenants governing our ratio of net debt to EBITDA, the minimum amount of cash and cash equivalents we maintain, our ratio of EBITDA to interest expense, and our consolidated net worth. Compliance with the covenants governing our ratios of net debt to EBITDA and EBITDA to interest expense is not measured until June 30, 2015, but we may not be in compliance with these covenants at such time.

We may seek waivers or modifications to our credit agreements, which may be unavailable or subject to conditions. We may also seek to refinance our indebtedness or raise additional capital through equity or debt offerings or selling assets (including vessels). We cannot be certain that we will accomplish any such actions. Absent such waivers or modifications, if we do not comply with these covenants and fail to cure our non-compliance following applicable notice and expiration of applicable cure periods, we may be in default of one or more of our credit facilities. As a result, some or all of our indebtedness could be declared immediately due and payable, we may not be able to borrow further under our credit facilities, and we may have to seek alternative sources of financing on terms that may not be favorable to us. If we are unable to service or refinance our current or future indebtedness, we may have to take actions such as reducing or delaying acquisitions or capital expenditures, selling assets, seeking additional debt or equity capital, or pursuing other restructuring options. As a result, we may experience a material adverse effect on our business, financial condition, results of operations and cash flows.

*Our earnings will be adversely affected if we do not successfully employ our vessels.*

As of March 2, 2015, approximately 80% of our vessels were in arrangements in which they were trading at spot market rates through spot market-related time charters or operating in a vessel pool. Forty-one of our vessels, including Baltic Trading's vessels, were engaged under spot market-related time charter contracts that expire (assuming the option periods in the time charters are not exercised) between March 2015 and February 2016, and 14 of our vessels were trading in the spot charter market through participation in pool arrangements. The remaining 13 of the vessels in our fleet were engaged under time charters at fixed rates. The drybulk market is volatile, and in the past charterhire rates for drybulk carriers have sometimes declined below operating costs of vessels. Because we currently charter most of our vessels on spot market-related time charters, we are exposed to the cyclical and volatility of the spot charter market, and we do not have significant long-term, fixed-rate time charters to ameliorate the adverse effects of downturns in the spot market. Capesize vessels, which we operate as part of our fleet, have been particularly susceptible to volatility in spot charter rates.

To the extent our vessels trade in the spot charter market, we may experience fluctuations in revenue, cash flow and net income. The spot charter market is highly competitive, and spot market voyage charter rates may fluctuate dramatically based primarily on the worldwide supply of drybulk vessels available in the market and the worldwide demand for the transportation of drybulk cargoes. We can provide no assurance that future charterhire rates will enable us to operate our vessels profitably. In addition, our standard time charter contracts with our customers specify certain performance parameters, which if not met can result in customer claims. Such claims may have a material adverse effect on our business, results of operations, cash flows, financial

condition and ability to pay dividends.

*Restrictive covenants under our credit facilities may restrict our growth and operations.*

Our credit facilities impose operating and financial restrictions that may limit our ability to:

- incur additional indebtedness on satisfactory terms or at all;
- incur liens on our assets;
- sell our vessels or the capital stock of our subsidiaries;
- make investments;
- engage in mergers or acquisitions;
- pay dividends (following an event of default or our breach of a covenant);
- make capital expenditures;
- compete effectively to the extent our competitors are subject to less onerous financial restrictions; and
- change the management of our vessels or terminate or materially amend the management agreement relating to any of our vessels.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours, and we cannot guarantee that we will be able to obtain our lenders' permission when needed. This may prevent us from taking actions

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that are in our best interest and from executing our business strategy of growth through acquisitions and may restrict or limit our ability to pay dividends and finance our future operations.

*As a result of the adoption of fresh-start reporting, our consolidated balance sheets and consolidated statements of operations subsequent to July 9, 2014 will not be comparable in many respects to our consolidated balance sheets and consolidated statements of operations prior to July 9, 2014.*

Following the consummation of the Plan, our financial condition and results of operations from and after the Effective Date will not be comparable to the financial condition or results of operations reflected in our historical financial statements due to the application of fresh-start reporting. Fresh-start reporting requires us to adjust our assets and liabilities to their estimated fair values using the acquisition method. Adjustments to the carrying amounts were material and will affect prospective results of operations as balance sheet items are settled, depreciated, amortized or impaired. As a result, this will make it difficult to assess our performance in relation to prior periods.

*We depend upon ten charterers for a large part of our revenues. The loss of one or more of these charterers could adversely affect our financial performance.*

We have derived a significant part of our revenues from a small number of charterers. For the year ended December 31, 2014, approximately 81% of our revenues were derived from 10 charterers, including charterers of Baltic Trading's vessels. Of that amount, approximately 22% and 18% of our revenues were derived from two charterers, Swissmarine and Cargill, respectively. If we were to lose any of these charterers, or if any of these charterers significantly reduced its use of our services or was unable to make charter payments to us, it could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*The aging of our fleet and our practice of purchasing and operating previously owned vessels may result in increased operating costs and vessels off-hire, which could adversely affect our earnings.*

The majority of our drybulk carriers were previously owned by third parties. We may seek additional growth through the acquisition of previously owned vessels. While we typically inspect previously owned vessels before purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Accordingly, we may not discover defects or other problems with such vessels before purchase. Any such hidden defects or problems, when detected, may be expensive to repair, and if not detected, may result in accidents or other incidents for which we may become liable to third parties. Also, when purchasing previously owned vessels, we do not receive the benefit of any builder



warranties if the vessels we buy are older than one year.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. The average age of the vessels in our current fleet, including Baltic Trading vessels, is approximately 7.9 years. Older vessels are typically less fuel-efficient than more recently constructed vessels due to improvements in engine technology and cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

Governmental regulations, safety and other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment to some of our vessels and may restrict the type of activities in which these vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. As a result, regulations and standards could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*An increase in operating costs or interest rates could adversely affect our cash flow and financial condition.*

Our vessel operating expenses include the costs of crewing and insurance. In addition, to the extent we enter the spot charter market, we need to include the cost of bunkers as part of our voyage expenses. The price of bunker fuel may increase in the future. If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. Moreover, we expect that the cost of maintenance and drydocking will increase as our fleet ages. Increases in any of these costs could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We are also subject to market risks relating to changes in LIBOR rates because we have significant amounts of floating rate debt outstanding. If LIBOR were to increase significantly, the amount of interest payable on our outstanding indebtedness could increase significantly and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*We depend to a significant degree upon third-party managers to provide the technical management of our fleet. Any failure of these technical managers to perform their obligations to us could adversely affect our business.*

We have contracted the technical management of our fleet, including crewing, maintenance and repair services, to third-party technical management companies. The failure of these technical managers to perform their obligations could materially and adversely affect our business, results of operations, cash flows, financial condition and ability to pay dividends. Although we may have rights against our third-party managers if they default on their obligations to us, our shareholders will share that recourse only indirectly to the extent that we recover funds.

*In the highly competitive international drybulk shipping industry, we may not be able to compete for charters with new entrants or established companies with greater resources.*

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We employ our vessels in a highly competitive market that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than we do. Competition for the transportation of drybulk cargoes can be intense and depends on price, location, size, age, condition and the acceptability of the vessel and its managers to the charterers. Due in part to the highly fragmented market, competitors with greater resources could enter and operate larger fleets through consolidations or acquisitions that may be able to offer better prices and fleets than we are able to offer.

*We are currently prohibited from paying dividends or repurchasing our stock and may not do so when the prohibitions expire.*

Under the terms of the \$253 Million Term Loan Facility and the \$100 Million Term Loan Facility as amended in connection with the Prepack Plan, we are prohibited from paying dividends or repurchasing our stock through March 31, 2015. Moreover, we would make dividend payments to our shareholders only if our Board of Directors, acting in its sole discretion, determines that such payments would be in our best interest and in compliance with relevant legal and contractual requirements. The principal business factors that our Board of Directors would consider when determining the timing and amount of dividend payments would be our earnings, financial condition and cash requirements at the time. Marshall Islands law generally prohibits the declaration and payment of dividends other than from surplus. Marshall Islands law also prohibits the declaration and payment of dividends while a company is insolvent or would be rendered insolvent by the payment of such a dividend.

We may incur other expenses or liabilities that would reduce or eliminate the cash available for distribution as dividends. We may also enter into new agreements or the Marshall Islands or another jurisdiction may adopt laws or regulations that place additional restrictions on our ability to pay dividends. If we do not pay dividends, the return on your investment would be limited to the price at which you could sell your shares.

*We may not be able to grow or effectively manage our growth, which could cause us to incur additional indebtedness and other liabilities and adversely affect our business.*

We may seek growth by expanding our business. Our future growth will depend on a number of factors, some of which we can control and some of which we cannot. These factors include our ability to:

- identify vessels for acquisition;
- consummate acquisitions or establish joint ventures;
- integrate acquired vessels successfully with our existing operations;
- expand our customer base; and
- obtain required financing for our existing and new operations.

Currently, there is no availability under our existing credit facilities, excluding Baltic Trading's credit facilities. These limitations place significant restrictions on financing that we could use for our growth.

Growing any business by acquisition presents numerous risks, including undisclosed liabilities and obligations, difficulty obtaining additional qualified personnel, managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. Future acquisitions could result in the incurrence of additional indebtedness and liabilities that could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends. In addition, competition from other buyers for vessels could reduce our acquisition opportunities or cause us to pay a higher price than we might otherwise pay. We cannot assure you that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with these plans.

*We currently maintain all of our cash and cash equivalents with three financial institutions, which subjects us to credit risk.*

We currently maintain all of our cash and cash equivalents with three financial institutions. None of our balances are covered by insurance in the event of default by the financial institutions. The occurrence of such a default of any of these institutions could therefore have a material adverse effect on our business, financial condition, results of operations and cash flows.

*If we are unable to fund our capital expenditures, we may not be able to continue to operate some of our vessels, which would have a material adverse effect on our business and our ability to pay dividends.*

In order to fund our capital expenditures, we may be required to incur borrowings or raise capital through the sale of debt or equity securities. Our ability to borrow money and access the capital markets through future offerings may be limited by our financial condition at the time of any such offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for necessary future capital expenditures would limit our ability to continue to operate some of our vessels or impair the value of our vessels and could have a material adverse effect on our business, results of operations, financial condition, cash flows and ability to pay dividends. Even if we are successful in obtaining such funds through financings, the terms of such financings could further limit our ability to pay dividends.

*We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations or to make dividend payments.*

We are a holding company, and our subsidiaries, which are all wholly owned by us, either directly or indirectly, conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our wholly owned subsidiaries. As a result, our ability to satisfy our financial obligations and to pay dividends to our shareholders depends on the ability of our subsidiaries to distribute funds to us. In turn, the ability of our subsidiaries to make dividend payments to us will be dependent on them having profits available for distribution and, to the extent that we are unable to obtain dividends from our subsidiaries, this will limit the discretion of our Board of Directors to pay or recommend the payment of dividends.

*We are at risk for the creditworthiness of our charterers.*

The actual or perceived credit quality of our charterers, and any defaults by them, or market conditions affecting the time charter market and the credit markets, may materially affect our ability to obtain the additional capital resources that may be required

to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing at all or at a higher than anticipated cost may have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*If management is unable to continue to provide reports as to the effectiveness of our internal control over financial reporting or our independent registered public accounting firm is unable to continue to provide us with unqualified attestation reports as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock.*

Under Section 404 of the Sarbanes-Oxley Act of 2002, we are required to include in this and each of our future annual reports on Form 10-K a report containing our management's assessment of the effectiveness of our internal control over financial reporting and a related attestation of our independent registered public accounting firm. If, in such future annual reports on Form 10-K, our management cannot provide a report as to the effectiveness of our internal control over financial reporting or our independent registered public accounting firm is unable to provide us with an unqualified attestation report as to the effectiveness of our internal control over financial reporting as required by Section 404, investors could lose confidence in the reliability of our consolidated financial statements, which could result in a decrease in the value of our common stock.

*If we are unable to operate our financial and operations systems effectively or to recruit suitable employees as we expand our fleet, our performance may be adversely affected.*

Our current financial and operating systems may not be adequate as we implement our plan to expand the size of our fleet, and our attempts to improve those systems may be ineffective. In addition, as we expand our fleet, we will have to rely on our outside technical managers to recruit suitable additional seafarers and shore-based administrative and management personnel. We cannot assure you that our outside technical managers will be able to continue to hire suitable employees as we expand our fleet.

*We may be unable to attract and retain key management personnel and other employees in the shipping industry, which may negatively affect the effectiveness of our management and our results of operations.*

Our success depends to a significant extent upon the abilities and efforts of our management team and our ability to hire and retain key members of our management team. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining personnel could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends. We do not intend to maintain key man life insurance on any of our officers.

*Arrangements relating to our Baltic Trading subsidiary and MEP could require significant time and attention from our personnel and may result in conflicts of interest.*

Our subsidiary, Baltic Trading, conducts a shipping business focused on the drybulk industry spot market. Some of our personnel provide services to Baltic Trading, including our President, our Chief Financial Officer, and our Chief Accounting Officer. This requires substantial time and attention from these individuals and reduces their availability to serve us. Our Chairman serves on the Baltic Trading board of directors. Our officers and director who also serve Baltic Trading may encounter situations in which their fiduciary obligations to us and to Baltic Trading

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are in conflict. The Omnibus Agreement entered into between us and Baltic Trading is intended to reduce these conflicts by granting a right of first refusal to Baltic Trading for certain spot chartering opportunities and to us for other business opportunities. However, these arrangements and/or the resolutions of these conflicts may not always be in our best interest or that of our shareholders and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We provide technical services for drybulk vessels purchased by MEP under an agency agreement between us and MEP. These services include oversight of crew management, insurance, drydocking, ship operations and financial statement preparation, but do not include chartering services. This requires substantial time and attention from these individuals and reduces their availability to serve us. Our Chairman controls and has a minority interest in MEP. This arrangement was approved by an independent committee of our Board of Directors. Although we do not provide MEP with chartering services or assistance with the purchase and sale of vessels, the arrangement under the agency agreement may not always be in our best interest or that of our shareholders and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*Our Chairman may pursue business opportunities in our industry that may conflict with our interests.*

Our Chairman, Peter C. Georgiopoulos, is not an employee of our company and is not contractually committed to remain as a director of our company or to refrain from other activities in our industry. Mr. Georgiopoulos actively reviews potential investment opportunities in the shipping industry, including the drybulk sector, from time to time. Mr. Georgiopoulos controls and has a minority

interest in MEP, which owns an aggregate of 12 drybulk vessels. Mr. Georgiopoulos has informed us that so long as he is a director of our company, prior to making an investment in an entity owning or operating drybulk vessels, he intends to disclose the details of such investment to our board and our independent directors and allow us to pursue the opportunity to the extent we choose to do so and are able. However, in the event we choose not to pursue any such opportunity or are not able to obtain such an opportunity, Mr. Georgiopoulos may proceed, either alone or with others, with such investments. As a result of such investments, Mr. Georgiopoulos may have independent interests in the ownership and operation of drybulk vessels that may conflict with our interests.

*We may not have adequate insurance to compensate us if we lose our vessels or to compensate third parties.*

There are a number of risks associated with the operation of ocean-going vessels, including mechanical failure, collision, human error, war, terrorism, piracy, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. Any of these events may result in loss of revenues, increased costs and decreased cash flows. In addition, the operation of any vessel is subject to the inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

We are insured against tort claims and some contractual claims (including claims related to environmental damage and pollution) through memberships in protection and indemnity associations or clubs, or P&I Associations. As a result of such membership, the P&I Associations provide us coverage for such tort and contractual claims. We also carry hull and machinery insurance and war risk insurance for our fleet. We insure our vessels for third-party liability claims subject to and in accordance with the rules of the P&I Associations in which the vessels are entered. We currently maintain insurance against loss of hire, which covers business interruptions that result in the loss of use of a vessel. We can give no assurance that we will be adequately insured against all risks. We may not be able to obtain adequate insurance coverage for our fleet in the future. The insurers may not pay particular claims. Our insurance policies contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs or lower our revenue.

We cannot assure you that we will be able to renew our insurance policies on the same or commercially reasonable terms, or at all, in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, protection and indemnity insurance against risks of environmental damage or pollution. Any uninsured or underinsured loss could harm our business, results of operations, cash flows, financial condition and ability to pay dividends. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our ships failing to maintain certification with applicable maritime self-regulatory organizations. Further, we cannot assure you that our insurance policies will cover all losses that we incur, or that disputes over insurance claims will not arise with our insurance carriers. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. In addition, our insurance policies are subject to limitations and exclusions, which may increase our costs or lower our revenues, thereby possibly having a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*We are subject to funding calls by our protection and indemnity associations, and our associations may not have enough resources to cover claims made against them.*

We are indemnified for legal liabilities incurred while operating our vessels through membership in P&I Associations. P&I Associations are mutual insurance associations whose members must contribute to cover losses sustained by other association members. The objective of a P&I Association is to provide mutual insurance based on the aggregate tonnage of a member's vessels entered into the association. Claims are paid through the aggregate premiums of all members of the association, although members remain subject to calls for additional funds if the aggregate premiums are insufficient to cover claims submitted to the association. Claims submitted to the association may include those incurred by members of the association, as well as claims submitted to the association from other P&I Associations with which our P&I Association has

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entered into interassociation agreements. We cannot assure you that the P&I Associations to which we belong will remain viable or that we will not become subject to additional funding calls which could adversely affect us.

*We may have to pay U.S. tax on U.S. source income, which would reduce our net income and cash flows.*

If we do not qualify for an exemption pursuant to Section 883 of the U.S. Internal Revenue Code of 1986, as amended, or the Code (which we refer to as the Section 883 exemption), then we will be subject to U.S. federal income tax on our shipping income that is derived from U.S. sources. If we are subject to such tax, our net income and cash flows would be reduced by the amount of such tax.

We will qualify for the Section 883 exemption if, among other things, (i) our stock is treated as primarily and regularly traded on an established securities market in the United States (which we refer to as the publicly traded test), or (ii) we satisfy one of two other ownership tests. Under applicable Treasury Regulations, the publicly-traded test cannot be satisfied in any taxable year in which



persons who actually or constructively own 5% or more of our stock (which we sometimes refer to as 5% shareholders), together own 50% or more of our stock for more than half the days in such year (which we sometimes refer to as the five percent override rule), unless an exception applies.

Based on the ownership and trading of our stock in 2014, we believe that we satisfied the publicly traded test and qualified for the Section 883 exemption in 2014. However, as a result of the restructuring of our indebtedness pursuant to the Plan, 5% shareholders may beneficially own more than 50% of our stock for more than half of 2015. As a result, the five percent override rule may apply, and we believe that we would have significant difficulty in satisfying an exception thereto. It is also not clear whether we will satisfy one of the other two ownership tests. Thus, we may not qualify for the Section 883 exemption in 2015. Even if we do qualify for the Section 883 exemption in 2015, there can be no assurance that changes and shifts in the ownership of our stock by 5% shareholders will not preclude us from qualifying for the Section 883 exemption in future taxable years.

If we do not qualify for the Section 883 exemption, our U.S. source shipping income, i.e., 50% of our gross shipping income attributable to transportation beginning or ending in the U.S., would be subject to a 4% tax without allowance for deductions (which we sometimes refer to as the U.S. gross transportation income tax).

Baltic Trading's stock is primarily traded on an established securities market in the U.S. However, we have indirectly owned shares of Baltic Trading's Class B Stock which has provided us with over 50% of the combined voting power of all classes of Baltic Trading's voting stock since Baltic Trading's IPO was completed on March 15, 2010. As a result, Baltic Trading's Class B Stock will not be treated as regularly traded and Baltic Trading will not satisfy the publicly traded test (and cannot satisfy one of the other two ownership tests). Thus, Baltic Trading does not qualify for a Section 883 exemption. As such, Baltic Trading is subject to the U.S. gross transportation income tax on its U.S. source shipping income. During the years ended December 31, 2014, 2013 and 2012, Baltic Trading earned and paid U.S. gross transportation income tax on its U.S. source shipping income of approximately \$2.8 million, \$1.7 million and \$1.4 million, respectively.

In addition to our shipping income, we derive income from the technical and commercial management services that we provide to Baltic Trading and MEP, which results in U.S. source service income for which we are subject to and pay U.S. federal income tax on a net basis. This income totaled approximately \$7.8 million, \$7.9 million and \$6.1 million during the years ended December 31, 2014, 2013 and 2012, respectively.

*U.S. tax authorities could treat us as a passive foreign investment company, which could have adverse U.S. federal income tax consequences to U.S. shareholders.*

A foreign corporation generally will be treated as a passive foreign investment company, which we sometimes refer to as a PFIC, for U.S. federal income tax purposes if, after applying certain look through rules, either (1) at least 75% of its gross income for any taxable year consists of passive income or (2) at least 50% of the average value or adjusted bases of its assets (determined on a quarterly basis) produce or are held for the production of passive income, i.e., passive assets. U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to distributions they receive from the PFIC and gain, if any, they derive from the sale or other disposition of their stock in the PFIC.

For purposes of these tests, passive income generally includes dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business, as defined in applicable Treasury Regulations. Income derived from the performance of services does not constitute passive income. By contrast, rental income would generally constitute passive income unless such income were treated under specific rules as derived from the

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active conduct of a trade or business. We do not believe that our past or existing operations would cause, or would have caused, us to be deemed a PFIC with respect to any taxable year. In this regard, we treat the gross income we derive or are deemed to derive from our time and spot chartering activities as services income, rather than rental income. Accordingly, we believe that (1) our income from our time and spot chartering activities does not constitute passive income and (2) the assets that we own and operate in connection with the production of that income do not constitute passive assets.

While there is no direct legal authority under the PFIC rules addressing our method of operation, there is legal authority supporting this position consisting of pronouncements by the U.S. Internal Revenue Service (which we sometimes refer to as the IRS), concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also legal authority, consisting of case law, that characterizes time charter income as rental income rather than services income for other tax purposes.

No assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, there can be no assurance that we will not become a PFIC in any future taxable year because the PFIC test is an annual test, there are uncertainties in the application of the PFIC rules, and although we intend to manage our business so as to avoid PFIC status to the extent consistent with our other business goals, there could be changes in the

nature and extent of our operations in future taxable years.

If we were to be treated as a PFIC for any taxable year (and regardless of whether we remain a PFIC for subsequent taxable years), our U.S. shareholders would face adverse U.S. tax consequences. Under the PFIC rules, unless a shareholder makes certain elections available under the Code (which elections could themselves have adverse consequences for such shareholder), such shareholder would be liable to pay U.S. federal income tax at the highest applicable ordinary income tax rates upon the receipt of excess distributions and upon any gain from the disposition of our common stock, plus interest on such amounts, as if such excess distribution or gain had been recognized ratably over the shareholder's holding period of our common stock.

*Because we generate all of our revenues in U.S. dollars but incur a portion of our expenses in other currencies, exchange rate fluctuations could hurt our results of operations.*

We generate all of our revenues in U.S. dollars, but we may incur drydocking costs, special survey fees and other expenses in other currencies. If our expenditures on such costs and fees were significant, and the U.S. dollar were weak against such currencies, our business, results of operations, cash flows, financial condition and ability to pay dividends could be adversely affected.

*Legislative action relating to taxation could materially and adversely affect us.*

Our tax position could be adversely impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by any tax authority. For example, legislative proposals have been introduced in the U.S. Congress which, if enacted, could change the circumstances under which we would be treated as a U.S. person for U.S. federal income tax purposes, which could materially and adversely affect our effective tax rate and cash tax position and require us to take action, at potentially significant expense, to seek to preserve our effective tax rate and cash tax position. We cannot predict the outcome of any specific legislative proposals.

## **RISK FACTORS RELATED TO OUR COMMON STOCK**

*Certain shareholders own large portions of our outstanding common stock, which may limit your ability to influence our actions.*

Certain shareholders currently hold significant percentages of our post-restructuring common stock. As of December 31, 2014, affiliates of Centerbridge Partners, L.P. owned approximately 34.44%; affiliates of Apollo Global Management owned approximately 15.42%; and affiliates of Strategic Value Partners, LLC owned approximately 12.41% of our common stock.

To the extent a significant percentage of the ownership of our common stock is concentrated in a small number of holders, such holders will be able to influence the outcome of any shareholder vote, including the election of directors, the adoption or amendment of provisions in our articles of incorporation or by-laws and possible mergers, corporate control contests and other significant corporate transactions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, merger, consolidation, takeover or other business combination involving us. This concentration of ownership could also discourage a potential acquirer from making a tender offer or

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otherwise attempting to obtain control of us, which could in turn have an adverse effect on the market price of our common stock.

*Because we are a foreign corporation, you may not have the same rights or protections that a shareholder in a United States corporation may have.*

We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law and may make it more difficult for our shareholders to protect their interests. Our corporate affairs are governed by our amended and restated articles of incorporation and bylaws and the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. The rights and fiduciary responsibilities of directors under the law of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions and there have been few judicial cases in the Marshall Islands interpreting the BCA. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction. Therefore, you may have more difficulty in protecting your interests as a shareholder in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction.

*Future sales of our common stock could cause the market price of our common stock to decline.*

The market price of our common stock could decline due to sales of a large number of shares in the market, including sales of

shares by our large shareholders, or the perception that these sales could occur. These sales could also make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate to raise funds through future offerings of common stock. We entered into a registration rights agreement that provides parties who received 10% or more of our common stock in our reorganization with demand and piggyback registration rights. All other parties to this agreement who received our common stock in the reorganization have piggyback registration rights only.

*We may need to raise additional capital in the future, which may not be available on favorable terms or at all or which may dilute our common stock or adversely affect its market price.*

We may require additional capital to expand our business and increase revenues, add liquidity in response to negative economic conditions, meet unexpected liquidity needs caused by industry volatility or uncertainty and reduce our outstanding indebtedness under our existing facilities. To the extent that our existing capital and borrowing capabilities are insufficient to meet these requirements and cover any losses, we will need to raise additional funds through debt or equity financings, including offerings of our common stock, securities convertible into our common stock, or rights to acquire our common stock or curtail our growth and reduce our assets or restructure arrangements with existing security holders. Any equity or debt financing, or additional borrowings, if available at all, may be on terms that are not favorable to us. Equity financings could result in dilution to our stockholders, as described further below, and the securities issued in future financings may have rights, preferences and privileges that are senior to those of our common stock. If our need for capital arises because of significant losses, the occurrence of these losses may make it more difficult for us to raise the necessary capital. If we cannot raise funds on acceptable terms if and when needed, we may not be able to take advantage of future opportunities, grow our business or respond to competitive pressures or unanticipated requirements.

*Future issuances of our common stock could dilute our shareholders' interests in our company.*

We may, from time to time, issue additional shares of common stock to support our growth strategy, reduce debt or provide us with capital for other purposes that our Board of Directors believes to be in our best interest. To the extent that an existing shareholder does not purchase additional shares that we may issue, that shareholder's interest in our company will be diluted, which means that its percentage of ownership in our company will be reduced. Following such a reduction, that shareholder's common stock would represent a smaller percentage of the vote in our Board of Directors' elections and other shareholder decisions.

*Volatility in the market price and trading volume of our common stock could adversely impact the trading price of our common stock.*

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies like us. These broad market factors may materially reduce the market price of our common stock, regardless of our operating performance. The market price of our common stock, which has experienced significant price and volume fluctuations in recent months, could continue to fluctuate significantly for many reasons, including in response to the risks described herein or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. A decrease in the market price of our common stock would adversely impact the value of your shares of common stock.

*Provisions of our amended and restated articles of incorporation and by-laws may have anti-takeover effects which could adversely affect the market price of our common stock.*

Several provisions of our amended and restated articles of incorporation and by-laws, which are summarized below, may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our Board of Directors to maximize shareholder value in connection with any unsolicited offer to acquire our company. However, these anti-takeover provisions could also discourage, delay or prevent (1) the merger or acquisition of our company by means of a tender offer, a proxy contest or otherwise that a shareholder may consider in its best interest and (2) the removal of incumbent officers and directors.

*Classified Board of Directors.*

Our amended and restated articles of incorporation provide for the division of our Board of Directors into two classes of directors, with the three members of Class I serving successive terms of one year and the four members of Class I serving an initial term of two years, after which the Board of Directors will cease to be classified. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of us. It could also delay shareholders who do not agree with the policies of our Board of Directors from removing a majority of our Board of Directors in a single year.

*Election and Removal of Directors.*

Our amended and restated articles of incorporation prohibit cumulative voting in the election of directors. Our by-laws require parties other than the board of directors to give advance written notice of nominations for the election of directors. Our articles of incorporation also provide that, through the conclusion of the second annual meeting of shareholders following July 9, 2014, our directors may be removed only for cause and only upon the affirmative vote of a majority of the outstanding shares of our capital stock entitled to vote for those directors or by a majority of the members of the board of directors then in office. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

*Limited Actions by Shareholders.*

Our amended and restated articles of incorporation and our by-laws provide that, consistent with Marshall Islands law, any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders. Our amended and restated articles of incorporation and our by-laws provide that, subject to certain exceptions, our Chairman, President, or Secretary at the direction of the Board of Directors or our Secretary at the request of one or more shareholders that hold in the aggregate at least a majority of our outstanding shares entitled to vote may call special meetings of our shareholders, and the business transacted at the special meeting is limited to the purposes stated in the notice.

*Advance Notice Requirements for Shareholder Proposals and Director Nominations.*

Our by-laws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder's notice must be received at our principal executive offices not less than 120 days nor more than 150 days before the anniversary date of the immediately preceding annual meeting of shareholders. Our by-laws also specify requirements as to the form and content of a shareholder's notice. These provisions may impede a shareholder's ability to bring matters before an annual meeting of shareholders or make nominations for directors at an annual meeting of shareholders.

*It may not be possible for our investors to enforce U.S. judgments against us.*

We are incorporated in the Republic of the Marshall Islands and most of our subsidiaries are also organized in the Marshall Islands. Substantially all of our assets and those of our subsidiaries are located outside the United States. As a result, it may be difficult or impossible for United States shareholders to serve process within the United States upon us or to enforce judgment upon us for civil liabilities in United States courts. In addition, you should not assume that courts in the countries in which we are incorporated or where our assets are located (1) would enforce judgments of United States courts obtained in actions against us based upon the civil liability provisions of applicable United States federal and state securities laws or (2) would enforce, in original actions, liabilities against us based upon these laws.

ITEM 1B.

UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 2. PROPERTIES

We do not own any real property. In September 2005, we entered into a 15-year lease for office space in New York, New York for which there was a free rental period from September 1, 2005 to July 31, 2006. On January 6, 2012, we ceased use of this space and entered into a sublease agreement effective November 1, 2013. Pursuant to the Plan that was approved by the Bankruptcy Court, we rejected the lease agreement on the Effective Date. Refer to Note 22 Commitments and Contingencies in our consolidated financial statements for further information.

Effective April 4, 2011, we entered into a seven-year sub-sublease agreement for additional office space in New York, New York. The term of the sub-sublease commenced June 1, 2011, with a free base rental period until October 31, 2011. Following the expiration of the free base rental period, the monthly base rental payments are \$82,000 per month until May 31, 2015 and thereafter will be \$90,000 per month until the end of the seven-year term. We have also entered into a direct lease with the over-landlord of such office space that commences immediately upon the expiration of such sub-sublease agreements, for a term covering the period from May 1, 2018 to September 30, 2025; the direct lease provides for a free base rental period from May 1, 2018 to September 30, 2018. Following the expirations of the free base rental period, the monthly base rental payments will be \$186,000 per month from October 1, 2018 to April 30, 2023 and \$204,000 per month from May 1, 2023 to September 30, 2025. For accounting purposes, the sub-sublease agreement and direct lease agreement with the landlord constitute one lease agreement. As a result of the straight-line rent calculation generated by the free rent period and the tenant work credit, the monthly straight-line rental expense for the term of the entire lease from June 1, 2011 to September 30, 2025 is \$130,000. On the Effective Date, a revised straight-line rent calculation was completed as part of fresh-start reporting which resulted in a revised monthly straight-line rental expense of \$150,000 beginning on the Effective Date until September 30, 2025.



Future minimum rental payments on the above lease for the next five years and thereafter are as follows: \$1.0 million for 2015, \$1.1 million annually for 2016 through 2017, \$0.9 million for 2018, \$2.2 million for 2019 and a total of \$13.4 million for the remaining term of the lease.

For a description of our vessels, see *Our Fleet* in Item 1, *Business* in this report.

We consider each of our significant properties to be suitable for its intended use.

### ITEM 3. LEGAL PROCEEDINGS

We commenced the Chapter 11 Cases to implement our restructuring. Pursuant to the Bankruptcy Code, the filing of a bankruptcy petition automatically stays certain actions against us, including actions to collect pre-petition indebtedness or to exercise control over the property of our bankruptcy estates. The Plan provided for the treatment of allowed claims against our bankruptcy estates, including pre-petition liabilities. The treatment of such liabilities under the Plan resulted in a material adjustment to our financial statements and has been recorded in Reorganization items, net in our consolidated statements of operation. Information concerning the Chapter 11 Cases in Item 1, *Business* is incorporated herein by reference.

On March 28, 2014, the Genco Auvergne was arrested due to a disputed claim with the charterer of one of our other vessels, namely the Genco Ardennes. In order for us to release the Genco Auvergne from its arrest, we entered into a cash collateralized \$0.9 million bank guarantee with Skandinaviska Enskilda Banken AB (the *SEB Bank Guarantee*) on April 3, 2014. The vessel has since been released from its arrest and the bank guarantee will remain in an escrow account until the arbitration related to this case is completed. The SEB Bank Guarantee resulted in additional indebtedness. As we were in default under the covenants of our 2007 Credit Facility due to the default on a scheduled debt amortization payment due on March 31, 2014, on April 3, 2014 we received a consent from the lenders under the 2007 Credit Facility to incur this additional indebtedness. Also, under the \$253 Million Term Loan Facility for which the Genco Auvergne is collateralized, we may not incur additional indebtedness related to its collateralized vessels under this facility. We also received a consent from the lenders under the \$253 Million Term Loan Facility on April 3, 2014 in order to enter the SEB Bank Guarantee.

We have not been involved in any other legal proceedings which we believe are likely to have, or have had a significant effect on our business, financial position, results of operations or cash flows, nor are we aware of any proceedings that are pending or threatened which we believe are likely to have a significant effect on our business, financial position, results of operations or liquidity. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. We expect that these claims would be covered by insurance, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES****MARKET INFORMATION, HOLDERS AND DIVIDENDS**

Prior to the effective date of our plan of reorganization, our common stock traded on the New York Stock Exchange (the "NYSE"), the OTCQB marketplace, and the OTC Pink marketplace. Upon such effective date, our original common stock was canceled, and our new common stock subsequently began trading on the OTC Bulletin Board under the symbol "GSKNF". The following table summarizes the quarterly high and low bid quotations prices per share of our common stock as reported on the OTC markets since July 15, 2014. No prior established public trading market existed for our new common stock prior to this date. The OTC markets quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

<b>FISCAL YEAR ENDED DECEMBER 31, 2014</b>	<b>HIGH</b>		<b>LOW</b>	
3rd Quarter	\$	21.45	\$	15.00
4th Quarter	\$	19.85	\$	12.75

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As of March 2, 2015, there were approximately 77 holders of record of our common stock.

We have not declared or paid any dividends since the third quarter of 2008 and currently do not plan to resume the payment of dividends.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

	For the Years Ended December 31,				
	2014 (2)	2013	2012	2011	2010
<b>Income Statement Data:</b>					
(U.S. dollars in thousands except for share and per share amounts)					
<i>Revenues:</i>					
Voyage revenues	\$ 217,576	\$ 224,179	\$ 223,159	\$ 388,929	\$ 447,438
Service revenues	3,285	3,285	3,294	3,285	1,249
Total revenues	\$ 220,861	\$ 227,464	\$ 226,453	\$ 392,214	\$ 448,687
<i>Operating Expenses:</i>					
Voyage expenses	11,665	8,046	7,009	4,457	4,467
Vessel operating expenses	121,613	111,671	114,318	105,514	78,976
General, administrative and management fees	68,286	34,031	35,673	33,928	29,081
Depreciation and amortization	112,666	140,743	139,063	136,203	115,663
Other operating income	(530)	(121)	(265)	(527)	(791)
Goodwill impairment	166,067				
Total operating expenses	479,767	294,370	295,798	279,575	227,396
Operating (loss) income	(258,906)	(66,906)	(69,345)	112,639	221,291
Other expense	(48,660)	(88,217)	(87,209)	(86,186)	(72,042)
(Loss) income before reorganization items, net	(307,566)	(155,123)	(156,554)	26,453	149,249
Reorganization items, net	880,576				
Net income (loss) before income taxes	573,010	(155,123)	(156,554)	26,453	149,249
Income tax expense	(1,811)	(1,898)	(1,222)	(1,385)	(1,840)
Net income (loss)	571,199	(157,021)	(157,776)	25,068	147,409
Less: Net (loss) income attributable to noncontrolling interest	(17,975)	(9,280)	(12,848)	(318)	6,166
Net income (loss) attributable to Genco Shipping & Trading Limited	\$ 589,174	\$ (147,741)	\$ (144,928)	\$ 25,386	\$ 141,243
Net (loss) earnings per share - basic	\$ N/A	\$ (3.42)	\$ (3.47)	\$ 0.72	\$ 4.28
Net (loss) earnings per share - diluted	\$ N/A	\$ (3.42)	\$ (3.47)	\$ 0.72	\$ 4.07
Dividends declared per share	\$	\$	\$	\$	\$
Weighted average common shares outstanding - Basic	N/A	43,249,070	41,727,075	35,179,244	32,987,449
Weighted average common shares outstanding - Diluted	N/A	43,249,070	41,727,075	35,258,205	35,891,373
<b>Balance Sheet Data:</b>					
(U.S. dollars in thousands, at end of period)					
Cash and cash equivalents	\$ 83,414	\$ 122,722	\$ 72,600	\$ 227,968	\$ 270,877
Total assets	1,752,913	2,957,254	2,843,371	3,119,277	3,182,708

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Total debt (current and long-term, including notes payable)	430,135	1,595,945	1,524,357	1,694,393	1,746,248
Total shareholders' equity	1,292,774	1,308,805	1,261,207	1,361,618	1,348,153
<b>Other Data:</b>					
(U.S. dollars in thousands)					
Net cash (used in) provided by operating activities	\$ (60,152)	\$ (3,144)	\$ (18,834)	\$ 158,183	\$ 262,680
Net cash used in investing activities	(74,636)	(146,555)	(3,669)	(133,367)	(870,230)
Net cash provided by (used in) financing activities	95,480	199,821	(132,865)	(67,725)	690,160
EBITDA (1)	\$ 752,241	\$ 83,041	\$ 82,537	\$ 249,080	\$ 330,711

(1) EBITDA represents net (loss) income attributable to Genco Shipping & Trading Limited plus net interest expense, taxes and depreciation and amortization. EBITDA is included because it is used by management and certain investors as a measure of operating performance. EBITDA is used by analysts in the shipping industry as a common performance measure to compare results across peers. Our management uses EBITDA as a performance measure in our consolidated internal financial statements, and it is presented for review at our board meetings. We believe that EBITDA is useful to investors as the shipping industry is capital intensive which often results in significant depreciation and cost of financing. EBITDA presents investors with a measure in addition to net income to evaluate our performance prior to these costs. EBITDA is not an item recognized by U.S. GAAP and should not be considered as an alternative to net income, operating income or any other indicator of a company's operating performance required by U.S. GAAP. EBITDA is not a measure of liquidity or cash flows as shown in our consolidated statements of cash flows. The definition of EBITDA used here may not be comparable to that used by other companies. The foregoing definition of EBITDA differs from the definition of Consolidated EBITDA used in the financial covenants of our 2007 Credit Facility (prior to its termination on the Effective Date), our \$253 Million Term Loan Credit Facility, and our \$100 Million Term Loan Credit Facility. Specifically, Consolidated EBITDA substitutes gross interest expense (which includes amortization of deferred financing costs) for net interest expense used in our definition of EBITDA, includes adjustments for restricted stock amortization and non-cash charges for deferred financing costs related to the refinancing of other credit facilities or any non-cash losses from our investments in Jinhui and KLC, and excludes extraordinary gains or losses and gains or losses from derivative instruments used for hedging purposes or sales of assets other than inventory sold in the ordinary course of business. The following table demonstrates our calculation of EBITDA and provides a reconciliation of EBITDA to net (loss) income attributable to Genco Shipping & Trading Limited for each of the periods presented above:

**For the Years Ended December 31,**

Net income (loss) attributable to Genco Shipping & Trading Limited	\$	589,174	\$	(147,741)	\$	(144,928)	\$	25,386	\$	141,243
Net interest expense		48,590		88,141		87,180		86,106		71,965
Income tax expense		1,811		1,898		1,222		1,385		1,840
Depreciation and amortization		112,666		140,743		139,063		136,203		115,663
EBITDA (1)	\$	752,241	\$	83,041	\$	82,537	\$	249,080	\$	330,711

(2) The consolidated and other financial data for the year ended December 31, 2014 combine the results of operation for the period from July 9 to December 31, 2014 (Successor Company) and the period from January 1 to July 9, 2014 (Predecessor Company). The period from July 9 to December 31, 2014 (Successor Company) and the period from January 1 to July 9, 2014 (Predecessor Company) are distinct reporting periods as a result of our emergence from bankruptcy on July 9, 2014 as reported in our consolidated financial statements. We did not combine the share and per share amounts for the year ended December 31, 2014 since the change in our capital structure as a result of the bankruptcy renders these not comparable between the Successor Company and Predecessor Company. Refer to page 46 for the calculation of these combined results for the Successor Company and Predecessor Company for the year ended December 31, 2014.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**General**

We are a Marshall Islands company that transports iron ore, coal, grain, steel products and other drybulk cargoes along worldwide shipping routes through the ownership and operation of drybulk carrier vessels. Excluding vessels of Baltic Trading, our fleet currently consists of nine Capesize, eight Panamax, 17 Supramax, six Handymax and 13 Handysize drybulk carriers, with an aggregate carrying capacity of approximately 3,810,000 dwt, and the average age of our fleet is currently approximately 9.8 years, as compared to the average age for the world fleet of approximately 9 years for the drybulk shipping segments in which we compete. We seek to deploy our vessels on time charters, spot market-related time charters or in vessel pools trading in the spot market, to reputable charterers, including Cargill, Pacbasin, Swissmarine and the Clipper Logger Pool, in which Clipper Group acts as the pool manager. The majority of the vessels in our current fleet are presently engaged under time charter, spot market-related time charter and vessel pool contracts that expire (assuming the option periods in the time charters are not exercised) between March 2015 and February 2016.

In addition, Baltic Trading's fleet currently consists of four Capesize, two Ultramax, four Supramax and five Handysize drybulk carriers with an aggregate carrying capacity of approximately 1,221,000 dwt. After the expected delivery of the two additional Ultramax newbuilding vessels that Baltic Trading has agreed to acquire, Baltic Trading will own a fleet of 17 drybulk vessels, consisting of four Capesize, four Ultramax, four Supramax and five Handysize vessels with a total carrying capacity of approximately 1,349,000 dwt.

See pages 8-13 for a table of all vessels that have been or are expected to be delivered to us, including Baltic Trading's vessels.

On April 21, 2014, the Debtors filed the Chapter 11 Filing. On July 2, 2014, the Bankruptcy Court entered the Confirmation Order which approved and confirmed the Plan. On the Effective Date of July 9, 2014, the Debtors emerged from Chapter 11 through a series of transactions contemplated by the Plan, and the Plan became effective pursuant to its terms. Refer to Note 1 in our Consolidated Financial Statements for a detailed description of the Plan.

Baltic Trading, formerly our wholly-owned subsidiary, completed its initial public offering, or IPO, on March 15, 2010. On May 28, 2013, Baltic Trading closed an equity offering of 6,419,217 shares of common stock at an offering price of \$3.60 per share. Baltic Trading received net proceeds of approximately \$21.6 million after deducting underwriters' fees and expenses. Additionally, on September 25, 2013, Baltic Trading closed an equity offering of 13,800,000 shares of common stock at an offering price of \$4.60 per share. Baltic Trading received net proceeds of approximately \$59.5 million after deducting underwriters' fees and expenses. Lastly, on November 18, 2013, Baltic Trading closed an equity offering of 12,650,000 shares of common stock at an offering price of \$4.60 per share. Baltic Trading received net proceeds of approximately \$55.1 million after deducting underwriters' fees and expenses. As a result of Baltic Trading's equity offerings completed on May 28, 2013, September 25, 2013 and November 18, 2013, we were issued 128,383, 276,000 and 253,000 shares, respectively, of Class B stock, which represents 2% of the number of common shares issued. As of December 31, 2014, our wholly-owned subsidiary Genco Investments LLC owned 6,356,471 shares of Baltic Trading's Class B Stock, which represents an 10.85% ownership interest in Baltic Trading at December 31, 2014 and 64.60% of the aggregate voting power of Baltic Trading's outstanding shares of voting stock. Baltic Trading is consolidated as we control a majority of the voting interest in Baltic Trading. Management's discussion and analysis of our results of operations and financial condition includes the results of Baltic Trading.

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We entered into a long-term management agreement (the Management Agreement) with Baltic Trading pursuant to which we apply our expertise and experience in the drybulk industry to provide Baltic Trading with commercial, technical, administrative and strategic services. The Management Agreement is for an initial term of approximately 15 years and will automatically renew for additional five-year periods unless terminated in accordance with its terms. Baltic Trading will pay us for the services we provide it as well as reimburse us for our costs and expenses incurred in providing certain of these services. Management fee income we earn from the Management Agreement net of any allocated shared expenses, such as salary, office expenses and other general and administrative fees, will be taxable to us. Upon consolidation with Baltic Trading, any management fee income earned will be eliminated for financial reporting purposes. Baltic Trading has the right to terminate the Management Agreement upon the occurrence of certain events, including a Manager Change of Control (as defined in the Management Agreement), without making a termination payment. Some of these have occurred as a result of the transactions contemplated by the Plan, including the consummation of any transaction that results in (i) any person (as such term is used in Section 13(d)(3) of the Securities Exchange Act of 1934), other than Peter Georgiopoulos or any of his affiliates, becoming the beneficial owner of 25% of the Company's voting securities or (ii) the Company's stock ceasing to be traded on the New York Stock Exchange or any other internationally recognized stock exchange.

Therefore, Baltic Trading may have the right to terminate the Management Agreement, although Baltic Trading may be prevented or delayed from doing so because of the effect of applicable bankruptcy law, including the automatic stay provisions of the United States Bankruptcy Code and the provisions of the Prepack Plan and the Confirmation Order.

Our management team and our other employees are responsible for the commercial and strategic management of our fleet. Commercial management includes the negotiation of charters for vessels, managing the mix of various types of charters, such as time charters, voyage charters and spot market-related time charters, and monitoring the performance of our vessels under their charters. Strategic management includes locating, purchasing, financing and selling vessels. We currently contract with three independent technical managers to provide technical management of our fleet at a lower cost than we believe would be possible in-house. Technical management involves the day-to-day management of vessels, including performing routine maintenance, attending to vessel operations and arranging for crews and supplies. Members of our New York City-based management team oversee the activities of our independent technical managers.

We hold an investment in the capital stock of Jinhui Shipping and Transportation Limited ( Jinhui ) and Korea Line Corporation ( KLC ). Jinhui is a drybulk shipping owner and operator focused on the Supramax segment of drybulk shipping. KLC is a marine transportation service company which operates a fleet of carriers which includes carriers for iron ore, liquefied natural gas and tankers for oil and petroleum products.

We provide technical services for drybulk vessels purchased by MEP under an agency agreement between us and MEP. These services include oversight of crew management, insurance, drydocking, ship operations and financial statement preparation, but do not include chartering services. The services are provided for a fee of \$750 per ship per day plus reimbursement of out-of-pocket costs and will be provided for an initial term of one year. MEP will have the right to cancel provision of services on 60 days' notice with payment of a one-year termination fee or without a fee upon a change of our control. We may terminate provision of the services at any time on 60 days' notice. Mr. Georgiopoulos controls and has a minority interest in MEP. This arrangement was approved by an independent committee of our Board of Directors.

#### **Year ended December 31, 2014 compared to the year ended December 31, 2013**

#### **Factors Affecting Our Results of Operations**

We believe that the following table reflects important measures for analyzing trends in our results of operations. The table reflects our ownership days, available days, operating days, fleet utilization, TCE rates and daily vessel operating expenses for the years ended December 31, 2014 and 2013 on a consolidated basis, which includes the operations of Baltic Trading. The period from July 9 to December 31, 2014 (Successor Company) and the period from January 1 to July 9, 2014 (Predecessor Company) are distinct reporting periods as a result of our emergence from bankruptcy on July 9, 2014. References in these results of operation and the percentage change combine the Successor Company and Predecessor Company results for the year ended December 31, 2014 in order to provide comparability of such information to the year ended December 31, 2013.



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	For the Years Ended December 31,		Increase (Decrease)	% Change
	2014	2013		
<b>Fleet Data:</b>				
<i>Ownership days (1)</i>				
Capesize	4,745.0	4,055.6	689.4	17.0%
Panamax	2,920.0	2,920.0		
Ultramax	63.7		63.7	100.0%
Supramax	7,665.0	7,665.0		
Handymax	2,190.0	2,190.0		
Handysize	6,570.0	6,074.1	495.9	8.2%
Total	24,153.7	22,904.7	1,249.0	5.5%
<i>Available days (2)</i>				
Capesize	4,701.5	4,022.7	678.8	16.9%
Panamax	2,833.9	2,880.6	(46.7)	(1.6)%
Ultramax	60.7		60.7	100.0%
Supramax	7,279.9	7,570.5	(290.6)	(3.8)%
Handymax	2,086.1	2,166.0	(79.9)	(3.7)%
Handysize	6,478.0	6,018.7	459.3	7.6%
Total	23,440.1	22,658.5	781.6	3.4%
<i>Operating days (3)</i>				
Capesize	4,693.1	4,018.4	674.7	16.8%
Panamax	2,825.1	2,848.4	(23.3)	(0.8)%
Ultramax	60.7		60.7	100.0%
Supramax	7,176.2	7,507.9	(331.7)	(4.4)%
Handymax	2,026.4	2,135.1	(108.7)	(5.1)%
Handysize	6,309.5	5,985.1	324.4	5.4%
Total	23,091.0	22,494.9	596.1	2.6%
<i>Fleet utilization (4)</i>				
Capesize	99.8%	99.9%	(0.1)%	(0.1)%
Panamax	99.7%	98.9%	0.8%	0.8%
Ultramax	100.0%		100.0%	100.0%
Supramax	98.6%	99.2%	(0.6)%	(0.6)%
Handymax	97.1%	98.6%	(1.5)%	(1.5)%
Handysize	97.4%	99.4%	(2.0)%	(2.0)%
Fleet average	98.5%	99.3%	(0.8)%	(0.8)%
<b>Average Daily Results:</b>				
<i>Time Charter Equivalent (5)</i>				
Capesize	\$ 13,132	\$ 14,378	\$ (1,246)	(8.7)%
Panamax	7,222	8,665	(1,443)	(16.7)%
Ultramax	10,494		10,494	100.0%
Supramax	8,018	8,885	(867)	(9.8)%
Handymax	7,444	7,785	(341)	(4.4)%
Handysize	7,590	8,177	(587)	(7.2)%
Fleet average	8,785	9,539	(754)	(7.9)%
<i>Daily vessel operating expenses (6)</i>				
Capesize	\$ 5,429	\$ 5,450	(21)	(0.4)%
Panamax	5,049	5,057	(8)	(0.2)%

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Ultramax	5,543		5,543	100.0%
Supramax	5,133	4,745	388	8.2%
Handymax	5,061	4,890	171	3.5%
Handysize	4,616	4,563	53	1.2%
Fleet average	5,035	4,875	160	3.3%

(1) We define ownership days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

(2) We define available days as the number of our ownership days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels. Companies in the shipping industry generally use available days to measure the number of days in a period during which vessels should be capable of generating revenues.

(3) We define operating days as the number of our available days in a period less the aggregate number of days that our vessels are off-hire due to unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

(4) We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the number of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.

(5) We define TCE rates as net voyage revenue (voyage revenues less voyage expenses) divided by the number of our available days during the period, which is consistent with industry standards. TCE rate is a common shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charterhire rates for vessels on voyage charters are generally not expressed in per-day amounts while charterhire rates for vessels on time charters generally are expressed in such amounts.

	<b>For the Years Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Voyage revenues (in thousands)	\$ 217,576	\$ 224,179
Voyage expenses (in thousands)	11,665	8,046
	205,911	216,133
Total available days	23,440.1	22,658.5
Total TCE rate	\$ 8,785	\$ 9,539

(6) We define daily vessel operating expenses to include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance (excluding drydocking), the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Daily vessel operating expenses are calculated by dividing vessel operating expenses by ownership days for the relevant period.

## Operating Data

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The following tables represent the operating data and certain balance sheet data for the years ended December 31, 2014 and 2013 on a consolidated basis, which includes the operations of Baltic Trading. The period from July 9 to September 30, 2014 (Successor Company) and the period from January 1 to July 9, 2014 (Predecessor Company) are distinct reporting periods as a result of our emergence from bankruptcy on July 9, 2014. References in these results of operation and the percentage change combine the Successor Company and Predecessor Company results for the year ended December 31, 2014 in order to provide comparability of such information to the year ended December 31, 2013. While this combined presentation is a non-GAAP presentation for which there is no comparable GAAP measure, management believes that providing this financial information is the most relevant and useful method for making comparisons to the year ended December 31, 2013. We did not compare the share and per share amounts, since the change in our capital structure as a result of the bankruptcy renders these not comparable between the Successor Company and the Predecessor Company.

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	Successor Period from July 9 to December 31, 2014	Predecessor Period from January 1 to July 9, 2014	Combined Year Ended December 31, 2014	Predecessor Year Ended December 31, 2013	Change	% Change
<b>Income Statement Data:</b>						
(U.S. Dollars in thousands, except for per share amounts)						
<i>Revenue:</i>						
Voyage revenues	\$ 98,817	\$ 118,759	\$ 217,576	\$ 224,179	\$ (6,603)	(2.9)%
Service revenues	1,584	1,701	3,285	3,285		
<b>Total revenues</b>	<b>100,401</b>	<b>120,460</b>	<b>220,861</b>	<b>227,464</b>	<b>(6,603)</b>	<b>(2.9)%</b>
<i>Operating Expenses:</i>						
Voyage expenses	7,525	4,140	11,665	8,046	3,619	45.0%
Vessel operating expenses	56,943	64,670	121,613	111,671	9,942	8.9%
General, administrative and management fees	36,915	31,371	68,286	34,031	34,255	100.7%
Depreciation and amortization	36,714	75,952	112,666	140,743	(28,077)	(19.9)%
Other operating income	(530)		(530)	(121)	(409)	338.0%
Goodwill impairment	166,067		166,067		166,067	100.0%
<b>Total operating expenses</b>	<b>303,634</b>	<b>176,133</b>	<b>479,767</b>	<b>294,370</b>	<b>185,397</b>	<b>63.0%</b>
Operating loss	(203,233)	(55,673)	(258,906)	(66,906)	(192,000)	287.0%
Other expense	(7,538)	(41,122)	(48,660)	(88,217)	39,557	(44.8)%
Loss before reorganization items, net	(210,771)	(96,795)	(307,566)	(155,123)	(152,443)	98.3%
Reorganization items, net	(1,591)	882,167	880,576		880,576	100.0%
(Loss) income before income taxes	(212,362)	785,372	573,010	(155,123)	728,133	(469.4)%
Income tax expense	(996)	(815)	(1,811)	(1,898)	87	(4.6)%
Net (loss) income	(213,358)	784,557	571,199	(157,021)	728,220	(463.8)%
Less: Net loss attributable to noncontrolling interest	(9,241)	(8,734)	(17,975)	(9,280)	(8,695)	93.7%
Net (loss) income attributable to Genco Shipping & Trading Limited	\$ (204,117)	\$ 793,291	\$ 589,174	\$ (147,741)	\$ 736,915	(498.8)%
Net (loss) earnings per share - basic	\$ (3.38)	\$ 18.21	\$ N/A	\$ (3.42)	\$ N/A	N/A
Net (loss) earnings per share - diluted	\$ (3.38)	\$ 18.21	\$ N/A	\$ (3.42)	\$ N/A	N/A
Dividends declared and paid per share	\$	\$	\$	\$	\$	
	60,360,515	43,568,942	N/A	43,249,070	N/A	N/A

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Weighted average common shares outstanding - basic						
Weighted average common shares outstanding - diluted	60,360,515	43,568,942	N/A	43,249,070	N/A	N/A

**Balance Sheet Data:**

(U.S. Dollars in thousands, at end of period)						
Cash and cash equivalents	N/A	N/A	\$ 83,414	\$ 122,722	\$ (39,308)	(32.0)%
Total assets	N/A	N/A	1,752,913	2,957,254	(1,204,341)	(40.7)%
Total debt (current and long-term, including notes payable)	N/A	N/A	430,135	1,595,945	(1,165,810)	(73.0)%
Total shareholders equity	N/A	N/A	1,292,774	1,308,805	(16,031)	(1.2)%

**Other Data:**

(U.S. Dollars in thousands)						
Net cash used in operating activities	\$ (26,835)	\$ (33,317)	\$ (60,152)	\$ (3,144)	(57,008)	1,813.2%
Net cash used in investing activities	(44,101)	(30,535)	(74,636)	(146,555)	71,919	(49.1)%
Net cash provided by financing activities	18,273	77,207	95,480	199,821	(104,341)	(52.2)%
EBITDA (1)	N/A	N/A	\$ 752,241	\$ 83,041	\$ 669,200	805.9%

(1) EBITDA represents net (loss) income attributable to Genco Shipping & Trading plus net interest expense, taxes and depreciation and amortization. Refer to pages 40-41 included in Item 6 where the use of EBITDA is discussed and for a table demonstrating our calculation of EBITDA that provides a reconciliation of EBITDA to net (loss) income attributable to Genco Shipping & Trading for each of the periods presented above.

**Results of Operations**

VOYAGE REVENUES-

Our revenues are driven primarily by the number of vessels in our fleet, the number of days during which our vessels operate and the amount of daily charterhire that our vessels earn, that, in turn, are affected by a number of factors, including:

- the duration of our charters;
- our decisions relating to vessel acquisitions and disposals;
- the amount of time that we spend positioning our vessels;
- the amount of time that our vessels spend in drydock undergoing repairs;
- maintenance and upgrade work;
- the age, condition and specifications of our vessels;
- levels of supply and demand in the drybulk shipping industry; and
- other factors affecting spot market charter rates for drybulk carriers.

During 2014, voyage revenues decreased by \$6.6 million, or 2.9%, as compared to 2013. The decrease in voyage revenues was primarily due to lower spot market rates achieved by the majority of the vessels in our fleet. This decrease was partially offset by an increase in revenues earned by Baltic Trading's vessels of \$9.5 million due to the increase in the size of Baltic Trading's fleet partially offset by lower spot market rates achieved by its other vessels.

The average TCE rate of our fleet decreased 7.9% to \$8,785 a day during 2014 from \$9,539 a day during 2013. The decrease in TCE rates was primarily due to lower spot market rates achieved by the majority of the vessels in our fleet.

During 2013, the Baltic Dry Index, or BDI (a drybulk index) recorded a high of 2,113 on January 1, 2014, retreated to a low of 723 on July 22, 2014 and after climbing to a peak of 1,484 in November 2014, has since retreated to reach a level of 782 on December 24, 2014. In 2015, the index started off at 771 on January 2, 2015 and has since retreated to 509 as of February 18, 2015.

The BDI displayed weakness through the entire year in 2014 following a volatile environment in 2013. The BDI saw relative strength at the end of 2013, which carried into the very beginning of 2014 resulting in a peak of 2,113 on January 2, 2014. Deliveries of newbuilding vessels

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increased in January 2014, contributing to an already oversupplied market. Additionally, a ban of coal shipments out of Drummond's Colombian coal mines and short-term weather-related issues in Brazil and Australia temporarily reduced iron ore output. As a result, a decline of rates was experienced through the first half of the year resulting in the BDI closing at 850 as of June 30, 2014. As fleet growth moderated and iron ore exports increased, the BDI traded up beginning in August of 2014 and recorded a high of 1,484 on November 4, 2014. During the fourth quarter of 2014, excess vessel supply continued to weigh on the drybulk market. Additionally, a period of destocking at Chinese iron ore ports and coal power plants and a sustained Indonesian mineral ore export ban all contributed to a declining freight rate environment. Fluctuations in Brazilian iron ore fixture volume led to additional volatility within the Capesize sector, particularly in the latter two months of the fourth quarter. In the year to date in 2015, we have seen continued pressure on the drybulk market as a result of a seasonal increase in newbuilding vessel deliveries and weak iron ore and coal trades ahead of the Chinese New Year. Given the fact that a majority of our vessels are chartered at spot market-related rates, we expect that the weak rate environment will adversely impact our first quarter 2015 revenues and results of operations.

For 2014 and 2013, we had ownership days of 24,153.7 days and 22,904.7 days, respectively. The increase in ownership days is primarily a result of the delivery of four Baltic Trading vessels during the second half of 2013 and the delivery of one Baltic Trading vessel during the fourth quarter of 2014. Total available days during 2014 and 2013 were 23,440.1 and 22,658.5, respectively. The increase in available days was due to the increase in the size of Baltic Trading's fleet as previously explained partially offset by a decrease due to the drydocking of additional vessels during 2014 as compared to 2013. Our fleet utilization decreased to 98.5% during 2014 as compared to 99.3% during 2013 due to additional offhire periods for some of our Handymax and Handysize vessels.

Please see pages 8-13 for table that sets forth information about the current employment of the vessels currently in our fleet.

### SERVICE REVENUES-

Service revenues consist of revenues earned from providing technical services to MEP pursuant to the agency agreement between us and MEP. These services include oversight of crew management, insurance, drydocking, ship operations and financial statement preparation, but do not include chartering services. The services are provided for a fee of \$750 per ship per day. During the years ended December 31, 2014 and 2013, total service revenue was \$3.3 million during both periods.



#### VOYAGE EXPENSES-

In time charters, spot market-related time charters and pool agreements, operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel and specified voyage costs such as fuel and port charges are paid by the charterer. There are certain other non-specified voyage expenses such as commissions, which are typically borne by us. Voyage expenses include port and canal charges, fuel (bunker) expenses and brokerage commissions payable to unaffiliated third parties. Port and canal charges and bunker expenses primarily increase in periods during which vessels are employed on voyage charters because these expenses are for the account of the vessel owner. At the inception of a time charter, we record the difference between the cost of bunker fuel delivered by the terminating charterer and the bunker fuel sold to the new charterer as a gain or loss within voyage expenses. Additionally, voyage expenses include the cost of bunkers consumed during short-term time charters pursuant to the terms of the time charter agreement.

For 2014 and 2013, voyage expenses were \$11.7 million and \$8.0 million, respectively. The \$3.6 million increase is primarily due to an increase in bunker losses during 2014 as compared to 2013 due to the declining price of fuel during the second half of 2014. Additionally, there was an increase in bunker consumption during 2014 due to additional drydockings during 2014 as compared to 2013 as well as additional bunkers consumption during repositioning and ballast legs of time charters during 2014 as compared to 2013. During 2014 there was also an increase in the cost of bunkers consumed during short-term time charters pursuant to the terms of the time charter agreement. Lastly, as of December 31, 2014, our bunker inventory was written down to its market value which resulted in additional expense.

#### VESSEL OPERATING EXPENSES-

Vessel operating expenses increased by \$9.9 million from \$111.7 million to \$121.6 million primarily due to a larger fleet as a result of the delivery of four Baltic Trading vessels during the second half of 2013 and the delivery of one Baltic Trading vessel during the fourth quarter of 2014. Additionally, there were higher maintenance related expenses during 2014 as compared to 2013 due to expenses incurred during drydocking. The \$9.9 million increase includes a net increase of \$7.3 million related to Baltic Trading's vessels primarily due to the acquisition of the vessels mentioned above.

Average daily vessel operating expenses for our fleet increased by \$160 per day from \$4,875 during 2013 as compared to \$5,035 in 2014. The increase in daily vessel operating expenses was primarily due to higher maintenance related expenses incurred during drydocking, and also due to higher crew costs. We believe daily vessel operating expenses are best measured for comparative purposes over a 12-month period in order to take into account all of the expenses that each vessel in our fleet will incur over a full year of operation.

Our vessel operating expenses, which generally represent fixed costs, will increase as a result of the expansion of our fleet. Other factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market prices for crewing, lubes, and insurance, may also cause these expenses to increase.

Based on our management's estimates and budgets provided by our technical manager, we expect our vessels, excluding Baltic Trading vessels, to have average daily vessel operating expenses during 2015 of:

#### Vessel Type

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	<b>Average Daily Budgeted Amount</b>
Capesize	\$ 5,800
Panamax	5,300
Supramax	5,200
Handymax	5,200
Handysize	5,000

Based on these average daily budgeted amounts by vessel type, we expect our fleet, excluding Baltic Trading vessels, to have average daily vessel operating expenses of \$5,250 during 2015. The average daily vessel operating expense budget for 2015 of \$5,250 is the same as the prior year 2014 budget of \$5,250.

Based on our management's estimates and budgets provided by our technical manager, we expect Baltic Trading's vessels to have average daily vessel operating expenses during 2015 of:

<b>Vessel Type</b>	<b>Average Daily Budgeted Amount</b>
Capesize	\$ 6,100
Ultramax	5,300
Supramax	5,600
Handysize	5,100

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Based on these average daily budgeted amounts by vessel type, we expect Baltic Trading vessels to have average daily vessel operating expenses of \$5,500 during 2015. The average daily vessel operating expense budget for 2015 of \$5,500 is slightly higher than the prior year 2014 budget of \$5,400, primarily due to crew related expenses.

### GENERAL, ADMINISTRATIVE AND MANAGEMENT FEES-

We incur general and administrative expenses, which relate to our onshore non-vessel-related activities. Our general and administrative expenses include our payroll expenses, including those relating to our executive officers, rent, legal, auditing and other professional expenses. With respect to the restricted shares issued as incentive compensation to our Chairman, our employees and our directors under our 2005 Equity Incentive Plan and 2012 Equity Incentive Plan for the Predecessor Company and under the MIP for the Successor Company, refer to Note 24 Stock-Based Compensation in our consolidated financial statements. Additionally, we incur management fees to third-party technical management companies for the day-to-day management of our vessels, including performing routine maintenance, attending to vessel operations and arranging for crews and supplies.

General, administrative and management fees increased by \$34.3 million from \$34.0 million during 2013 to \$68.3 million during 2014. The increase was primarily due to higher non-cash compensation expenses associated with the restricted shares and warrants issued under the MIP. Additionally, the increase was due to our pre-petition expenses related to our Chapter 11 Cases incurred during 2014. Lastly, there was an increase in management fees due to the delivery of four Baltic Trading vessels during the second half of 2013 and the delivery of one Baltic Trading vessel during the fourth quarter of 2014.

### DEPRECIATION AND AMORTIZATION-

We depreciate the cost of our vessels on a straight-line basis over the expected useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated residual value. We estimate the useful life of our vessels to be 25 years. On the Effective Date, as part of fresh-start reporting, we revalued our vessels assets which resulted in a decrease in vessels assets, vessel equipment recorded as a component of other fixed assets and drydocking assets. On the Effective Date, we also increased the scrap value of our vessels from \$245/lwt to \$310/lwt which will result in an overall decrease in vessels depreciation expense over the remaining life of the vessels.

Depreciation and amortization charges decreased by \$28.1 million to \$112.7 million during 2014 from \$140.7 million during 2013. This decrease was due to revaluation of the vessel assets as well as the change in the scrap value as mentioned above. These decreases were partially offset by the operation of a larger fleet during 2014 as compared to 2013, which includes the four Baltic Trading vessels delivered during the second half of 2013 as well as the one Baltic Trading vessel delivered during the fourth quarter of 2014.

### OTHER OPERATING INCOME-

For the years ended December 31, 2014 and 2013, other operating income was \$0.5 million and \$0.1 million, respectively. The increase is primarily due to \$0.5 million of total payments received from Samsun as part of the cash settlement related to the rehabilitation plan approved by the South Korean courts during 2010. During the year ended December 31, 2013, we received a final cash settlement and shares of KLC stock as part of the final approved rehabilitation plan approved by the South Korean courts during 2013 which resulted in other operating income of \$0.1

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million. Refer to Note 22 Commitments and Contingencies in our consolidated financial statements for further information regarding the settlement payments.

### GOODWILL IMPAIRMENT

During the year ended December 31, 2014, we recorded \$166.1 million of goodwill impairment as a result of our annual assessment. Refer to Note 5 Goodwill Impairment in the consolidated financial statements for additional information.

### OTHER (EXPENSE) INCOME-

### NET INTEREST EXPENSE-

Net interest expense decreased by \$39.6 million from \$88.1 million during 2013 to \$48.6 million during 2014. Net interest expense during the years ended December 31, 2014 and 2013 consisted of interest expense under our \$100 Million Term Loan Facility, \$253 Million Term Loan Facility, the 2010 Baltic Trading Credit Facility and the Baltic Trading \$22 Million Term Loan

Facility and the Baltic Trading \$44 Million Term Loan Facility, which were entered into August 30, 2013 and December 3, 2013, respectively. Additionally, interest income, unused commitment fees associated with the aforementioned credit facilities as well as the amortization of deferred financing costs related to the aforementioned credit facilities are included in net interest expense during 2014 and 2013. Net interest expense during the years ended December 31, 2014 and 2013 also includes interest expense related to our 5.0% Convertible Senior Notes (the 2010 Notes ) up until the Petition Date and for the 2007 Credit Facility until the Effective Date. Lastly, net interest expense during 2014 also includes interest expense under the 2014 Baltic Trading Term Loan Facilities which was entered into on October 8, 2014.

The decrease in net interest expense for the year ended December 31, 2014 versus the year ended December 31, 2013 was primarily due to a decrease in interest expense associated with the 2007 Credit Facility, which was terminated pursuant to the Plan on the Effective Date, and the interest rate swap agreements as three interest rate swap agreements expired during the first quarter of 2014. Additionally, there was a decrease in interest expense related to the 2010 Notes as we ceased accreting the liability related to the 2010 Notes and accruing for the related coupon payment on the Petition Date of April 21, 2014. Refer to Note 10 Debt, Note 11 Convertible Senior Notes and Note 12 Interest Rate Swap Agreements in our consolidated financial statements. These decreases were partially offset by an increase in the interest expense and the amortization of deferred financing costs recorded during the year ended December 31, 2014 associated with Baltic Trading \$22 Million Term Loan Facility, Baltic Trading \$44 Million Term Loan Facility and the 2014 Baltic Trading Term Loan Facilities, which were entered into by Baltic Trading effective August 30, 2013, December 3, 2013 and October 8, 2014. Refer to Note 10 Debt in our consolidated financial statements for further information about these credit facilities.

#### INCOME TAX EXPENSE-

For the year ended December 31, 2014, income tax expense was \$1.8 million as compared to \$1.9 million during the year ended December 31, 2013. This income tax expense consists primarily of federal, state and local income taxes on net income earned by Genco Management (USA) Limited ( Genco (USA) ), one of our wholly-owned subsidiaries. Pursuant to certain agreements, we technically and commercially manage vessels for Baltic Trading, as well as provide technical management of vessels for MEP in exchange for specified fees for these services provided. These services are provided by Genco (USA), which has elected to be taxed as a corporation for United States federal income tax purposes. As such, Genco (USA) is subject to United States federal income tax on its worldwide net income, including the net income derived from providing these services. Refer to the Income taxes section of Note 2 Summary of Significant Accounting Policies included in our consolidated financial statements for further information. The decrease in income tax expense during 2014 as compared to 2013 is primarily a result of additional income earned by Genco (USA) during 2013. This was primarily due to the 1% purchase fee earned by Genco (USA) from Baltic Trading pursuant to the Management Agreement related to the delivery of four Baltic Trading vessels during 2013 as compared to only two vessels during 2014. These purchase fees eliminate upon consolidation; however, the fees are included in the net income earned by Genco (USA) and are taxable. This decrease was partially offset by an increase in commercial service revenue due to Genco (USA) from Baltic Trading pursuant to the Management Agreement as a result of higher charter rates achieved by Baltic Trading's fleet.

#### REORGANIZATION ITEMS, NET

For the year ended December 31, 2014, reorganization items, net were \$880.6 million. These reorganization items include trustee fees, professional fees incurred after the Petition Date in relation to the Chapter 11 Cases, the revaluation of assets and liabilities recorded as part of fresh-start reporting, the gain on the settlement of liabilities subject to compromise as well as a net gain on debt and equity discharge and issuance pursuant to the Plan. Refer to Note 21 Reorganization items, net in our Consolidated Financial Statements for further detail. There were no reorganization items during the year ended December 31, 2013 as the Petition Date was April 21, 2014.

#### NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST-

For the years ended December 31, 2014 and 2013, net loss attributable to noncontrolling interest was \$18.0 million and \$9.3 million, respectively. These amounts represent the net loss attributable to the noncontrolling interest of Baltic Trading.

**Year ended December 31, 2013 compared to the year ended December 31, 2012**

**Factors Affecting Our Results of Operations**

We believe that the following table reflects important measures for analyzing trends in our results of operations. The table reflects our ownership days, available days, operating days, fleet utilization, TCE rates and daily vessel operating expenses for the years ended December 31, 2013 and 2012 on a consolidated basis, which includes the operations of Baltic Trading.

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	For the Years Ended December 31,		Increase (Decrease)	% Change
	2013	2012		
<b>Fleet Data:</b>				
<i>Ownership days (1)</i>				
Capesize	4,055.6	4,026.0	29.6	0.7%
Panamax	2,920.0	2,928.0	(8.0)	(0.3)%
Supramax	7,665.0	7,686.0	(21.0)	(0.3)%
Handymax	2,190.0	2,196.0	(6.0)	(0.3)%
Handysize	6,074.1	5,856.0	218.1	3.7%
<b>Total</b>	<b>22,904.7</b>	<b>22,692.0</b>	<b>212.7</b>	<b>0.9%</b>
<i>Available days (2)</i>				
Capesize	4,022.7	3,995.9	26.8	0.7%
Panamax	2,880.6	2,800.4	80.2	2.9%
Supramax	7,570.5	7,505.5	65.0	0.9%
Handymax	2,166.0	2,112.5	53.5	2.5%
Handysize	6,018.7	5,856.0	162.7	2.8%
<b>Total</b>	<b>22,658.5</b>	<b>22,270.3</b>	<b>388.2</b>	<b>1.7%</b>
<i>Operating days (3)</i>				
Capesize	4,018.4	3,989.8	28.6	0.7%
Panamax	2,848.4	2,785.8	62.6	2.2%
Supramax	7,507.9	7,380.9	127.0	1.7%
Handymax	2,135.1	2,091.6	43.5	2.1%
Handysize	5,985.1	5,841.4	143.7	2.5%
<b>Total</b>	<b>22,494.9</b>	<b>22,089.5</b>	<b>405.4</b>	<b>1.8%</b>
<i>Fleet utilization (4)</i>				
Capesize	99.9%	99.8%	0.1%	0.1%
Panamax	98.9%	99.5%	(0.6)%	(0.6)%
Supramax	99.2%	98.3%	0.9%	0.9%
Handymax	98.6%	99.0%	(0.4)%	(0.4)%
Handysize	99.4%	99.8%	(0.4)%	(0.4)%
<b>Fleet average</b>	<b>99.3%</b>	<b>99.2%</b>	<b>0.1%</b>	<b>0.1%</b>
<b>Average Daily Results:</b>				
<i>Time Charter Equivalent (5)</i>				
Capesize	\$ 14,378	\$ 14,137	\$ 241	1.7%
Panamax	8,665	8,909	(244)	(2.7)%
Supramax	8,885	9,298	(413)	(4.4)%
Handymax	7,785	8,032	(247)	(3.1)%
Handysize	8,177	8,189	(12)	(0.1)%
<b>Fleet average</b>	<b>9,539</b>	<b>9,706</b>	<b>(167)</b>	<b>(1.7)%</b>
<i>Daily vessel operating expenses (6)</i>				
Capesize	\$ 5,450	\$ 5,448	2	
Panamax	5,057	5,385	(328)	(6.1)%
Supramax	4,745	4,878	(133)	(2.7)%
Handymax	4,890	5,339	(449)	(8.4)%
Handysize	4,563	4,678	(115)	(2.5)%
<b>Fleet average</b>	<b>4,875</b>	<b>5,038</b>	<b>(163)</b>	<b>(3.2)%</b>





(1) We define ownership days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

(2) We define available days as the number of our ownership days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels. Companies in the shipping industry generally use available days to measure the number of days in a period during which vessels should be capable of generating revenues.

(3) We define operating days as the number of our available days in a period less the aggregate number of days that our vessels are off-hire due to unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

(4) We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the number of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.

(5) We define TCE rates as net voyage revenue (voyage revenues less voyage expenses) divided by the number of our available days during the period, which is consistent with industry standards. TCE rate is a common shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charterhire rates for vessels on voyage charters are generally not expressed in per-day amounts while charterhire rates for vessels on time charters generally are expressed in such amounts.

	<b>For the Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
Voyage revenues (in thousands)	\$ 224,179	\$ 223,159
Voyage expenses (in thousands)	8,046	7,009
	216,133	216,150
Total available days	22,658.5	22,270.3
Total TCE rate	\$ 9,539	\$ 9,706

(6) We define daily vessel operating expenses to include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance (excluding drydocking), the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Daily vessel operating expenses are calculated by dividing vessel operating expenses by ownership days for the relevant period.

## Operating Data

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The following compares the components of our operating loss and net loss for the years ended December 31, 2013 and 2012 and certain balance sheet data as of December 31, 2013 and 2012.

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	For the Years Ended December				
	2013	31,	2012	Increase (Decrease)	% Change
<b>Income Statement Data:</b>					
(U.S. dollars in thousands except for per share amounts)					
<i>Revenues:</i>					
Voyage revenue	\$	224,179	\$	223,159	\$ 1,020 0.5%
Service revenue		3,285		3,294	(9) (0.3)%
Revenues		227,464		226,453	1,011 0.4%
<i>Operating Expenses:</i>					
Voyage expenses		8,046		7,009	1,037 14.8%
Vessel operating expenses		111,671		114,318	(2,647) (2.3)%
General, administrative and management fees		34,031		35,673	(1,642) (4.6)%
Depreciation and amortization		140,743		139,063	1,680 1.2%
Other operating income		(121)		(265)	144 (54.3)%
Total operating expenses		294,370		295,798	(1,428) (0.5)%
Operating loss		(66,906)		(69,345)	2,439 (3.5)%
Other expense		(88,217)		(87,209)	(1,008) 1.2%
Loss before income taxes		(155,123)		(156,554)	1,431 (0.9)%
Income tax expense		(1,898)		(1,222)	(676) 55.3%
Net loss		(157,021)		(157,776)	755 (0.5)%
Less: Net loss attributable to noncontrolling interest		(9,280)		(12,848)	3,568 (27.8)%
Net loss attributable to Genco shipping & Trading Limited	\$	(147,741)	\$	(144,928)	\$ (2,813) (19.4)%
Net loss per share - basic	\$	(3.42)	\$	(3.47)	\$ 0.05 (1.4)%
Net loss per share - diluted	\$	(3.42)	\$	(3.47)	\$ 0.05 (1.4)%
Dividends declared per share	\$		\$		\$
Weighted average common shares outstanding Basic		43,249,070		41,727,075	1,521,995 3.6%
Weighted average common shares outstanding - Diluted		43,249,070		41,727,075	1,521,995 3.6%
<b>Balance Sheet Data:</b>					
(U.S. dollars in thousands, at end of period)					
Cash and cash equivalents	\$	122,722	\$	72,600	\$ 50,122 69.0%
Total assets		2,957,254		2,843,371	113,883 4.0%
Total debt (current and long-term, including notes payable)		1,595,945		1,524,357	71,588 4.7%
Total shareholders equity		1,308,805		1,261,207	47,598 3.8%
<b>Other Data:</b>					
(U.S. dollars in thousands)					
Net cash used in operating activities	\$	(3,144)	\$	(18,834)	\$ 15,690 (83.3)%
Net cash used in investing activities		(146,555)		(3,669)	(142,886) 3,894.4%
Net cash used in financing activities		199,821		(132,865)	332,686 (250.4)%
EBITDA (1)	\$	83,041	\$	82,537	\$ 504 0.6%

(1) EBITDA represents net (loss) income attributable to Genco Shipping & Trading plus net interest expense, taxes and depreciation and amortization. Refer to pages 40-41 included in Item 6 where the use of EBITDA is discussed and for a table demonstrating our calculation of EBITDA that provides a reconciliation of EBITDA to net (loss) income attributable to Genco Shipping & Trading for each of the periods presented above.

## Results of Operations

### VOYAGE REVENUES-

During 2013, voyage revenues increased by \$1.0 million, or 0.5%, as compared to 2012. The net increase in revenue was primarily due to a net increase in revenues earned by Baltic Trading vessels of \$8.7 million partially offset by a decrease in revenue earned by our vessels of \$7.7 million due to lower charter rates achieved by the majority of our vessels during the year ended December 31, 2013. The net increase in voyage revenues includes an \$8.7 million increase in revenues earned by Baltic Trading due to higher spot market rates achieved by its Capesize vessels, as well as the increase in the size of Baltic Trading's fleet during 2013.

The average TCE rate of our fleet decreased marginally by 1.7% to \$9,539 a day during 2013 from \$9,706 a day during 2012.

During 2013, the Baltic Dry Index, or BDI (a drybulk index) recorded a low of 698 on January 1, 2013 and rebounded to a yearly high of 2,337 on December 12, 2013. At December 24, 2013, the index was 2,277. In 2014, the index started off at 2,113 on January 2, 2014 and has since decreased to 1,362 as of March 31, 2014.

The BDI displayed considerable weakness in the beginning of 2012 due to reduced iron ore cargoes recorded through the

celebration of the Chinese New Year, as well as a high level of newbuilding vessel deliveries for the first two months of the year. A combination of factors, including excess vessel supply, weather disruptions in Brazil and Australia and strikes in Columbian coal mines resulted in the BDI remaining at relatively low levels through the first half of the year. As fleet growth moderated and Chinese steel production increased, the BDI traded up through the second half of 2013 and recorded its peak value of 2,337 on December 12, 2013.

For 2013 and 2012, we had ownership days of 22,904.7 days and 22,692.0 days, respectively. The increase in ownership days is primarily a result of the delivery of four Baltic Trading vessels during the year ended December 31, 2013 partially offset by a decrease in ownership days as a result of an additional day during 2012 due to the leap year. Our fleet utilization remained stable during 2013 and 2012 at 99.3% and 99.2%, respectively.

#### SERVICE REVENUES-

Service revenues consist of revenues earned from providing technical services to MEP pursuant to the agency agreement between us and MEP. These services include oversight of crew management, insurance, drydocking, ship operations and financial statement preparation, but do not include chartering services. The services are provided for a fee of \$750 per ship per day. During the years ended December 31, 2013 and 2012, total service revenue was \$3.3 million during both periods.

#### VOYAGE EXPENSES-

For 2013 and 2012, voyage expenses were \$8.0 million and \$7.0 million, respectively. The \$1.0 million increase is primarily due to a decrease in bunker gains and an increase in bunker consumption during the year ended December 31, 2013 as compared to the year ended December 31, 2012. Baltic Trading's voyage expenses did not fluctuate significantly during 2013 as compared to 2012.

#### VESSEL OPERATING EXPENSES-

Vessel operating expenses decreased by \$2.6 million from \$114.3 million to \$111.7 million primarily due to lower maintenance expenses, as well as the timing of the purchase of stores and spare parts for the year ended December 31, 2013 as compared to the year ended December 31, 2012. These decreases were partially offset by the operation of a larger fleet, including the four vessels delivered to Baltic Trading during the year ended December 31, 2013. The \$2.6 million decrease includes a net increase of \$0.9 million related to Baltic Trading's vessels primarily due to the acquisition of the four vessels.

Average daily vessel operating expenses for our fleet decreased by \$163 per day from \$5,038 during 2012 as compared to \$4,875 in 2013. The decrease in daily vessel operating expenses was mainly due to lower maintenance expenses, as well as the timing of the purchase of stores and spare parts during the year ended December 31, 2013. We believe daily vessel operating expenses are best measured for comparative purposes over a 12-month period in order to take into account all of the expenses that each vessel in our fleet will incur over a full year of operation.

#### GENERAL, ADMINISTRATIVE AND MANAGEMENT FEES-

General, administrative and management fees decreased by \$1.6 million from \$35.7 million during 2012 to \$34.0 million during 2013. The decrease in general and administrative fees was primarily due to lower non-cash compensation and office related expenses. These decreases were partially offset by an increase in management fees during 2013 as compared to 2012 due to the delivery of four Baltic Trading vessels during 2013. During 2014, the management fees per vessel are expected to be the same as during 2013, or approximately \$0.13 million per vessel.

#### DEPRECIATION AND AMORTIZATION-

Depreciation and amortization charges increased by \$1.7 million during 2013 as compared to 2012 due to the operation of a larger fleet, including the four Baltic Trading vessels delivered during 2013, as well as an increase in amortization of deferred drydocking costs.

#### OTHER OPERATING INCOME-

For the years ended December 31, 2013 and 2012, other operating income was \$0.1 million and \$0.3 million, respectively. The decrease is due to a \$0.2 million decrease in the payment received from Samsun as part of the cash settlement related to the rehabilitation plan approved by the South Korean courts during 2010. During the year ended December 31, 2013, we received a final cash settlement and shares of KLC stock as part of the final approved rehabilitation plan approved by the South Korean courts during 2013 which resulted in other operating income of \$0.1 million. Refer to Note 22 Commitments and Contingencies in our consolidated financial statements for further information regarding the settlement payments.

OTHER (EXPENSE) INCOME-

NET INTEREST EXPENSE-

Net interest expense increased by \$1.0 million during 2013 as compared with 2012. Net interest expense during the years ended December 31, 2013 and 2012 consisted of interest expense under our 2007 Credit Facility, \$100 Million Term Loan Facility, \$253 Million Term Loan Facility, the 2010 Baltic Trading Credit Facility, as well as interest expense related to the 2010 Notes. Additionally, interest income, unused commitment fees associated with the aforementioned credit facilities as well as the amortization of deferred financing costs related to the aforementioned credit facilities are included in net interest expense during 2013 and 2012. Net interest expense during the year ended December 31, 2013 also includes interest expense under the Baltic Trading \$22 Million Term Loan Facility and the Baltic Trading \$44 Million Term Loan Facility which were entered into on August 30, 2013 and December 3, 2013, respectively.

The increase in net interest expense for the year ended December 31, 2013 versus the year ended December 31, 2012 was primarily due to an increase in the amortization of deferred financing costs during 2013 due to additional financing fees capitalized as part of the negotiations of the August 1, 2012 amendment to the 2007 Credit Facility, \$100 Million Term Loan Facility and the \$253 Million Term Loan Facility. There were also additional financing fees capitalized as part of the negotiations of the Baltic Trading \$22 Million Term Loan Facility and the Baltic Trading \$44 Million Term Loan Facility which were entered into effective 2013. These increases were partially offset by a decrease in interest expense as a result of lower outstanding debt during 2013 due to the prepayment of \$99.9 million of outstanding debt during August 2012 pursuant to the August 1, 2012 amendment to the 2007 Credit Facility, \$100 Million Term Loan Facility and the \$253 Million Term Loan Facility. Refer to Note 10 Debt in our consolidated financial statements for more information regarding our credit facilities as well as the August 1, 2012 amendment.

INCOME TAX EXPENSE-

For the year ended December 31, 2013, income tax expense was \$1.9 million as compared to \$1.2 million during the year ended December 31, 2012. This income tax expense consists primarily of federal, state and local income taxes on net income earned by Genco Management (USA) Limited ( Genco (USA) ), one of our wholly-owned subsidiaries. Pursuant to certain agreements, we technically and commercially manage vessels for Baltic Trading, as well as provide technical management of vessels for MEP in exchange for specified fees for these services provided. These services are provided by Genco (USA), which has elected to be taxed as a corporation for United States federal income tax purposes. As such, Genco (USA) is subject to United States federal income tax on its worldwide net income, including the net income derived from providing these services. Refer to the Income taxes section of Note 2 Summary of Significant Accounting Policies included in our consolidated financial statements for further information. The increase in income tax expense during 2013 as compared to 2012 is primarily a result of additional income earned by Genco (USA) during 2013. This was due to the 1% purchase fee earned by Genco (USA) from Baltic Trading pursuant to the Management Agreement related to the delivery of four Baltic Trading vessels during 2013. These purchase fees eliminate upon consolidation; however, the fees are included in the net income earned by Genco (USA) and are taxable. There were no similar transactions during 2012.

NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST-

For the years ended December 31, 2013 and 2012, net loss attributable to noncontrolling interest was \$9.3 million and \$12.8 million, respectively. These amounts represent the net loss attributable to the noncontrolling interest of Baltic Trading.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our principal sources of funds are currently operating cash flows and long-term bank borrowings. We have also historically used issuances of equity and long-term debt securities as sources of financing and may do so in the future. Our principal use of funds is capital expenditures to establish and grow our fleet, maintain the quality of our vessels, comply with international shipping standards and environmental laws and regulations, fund working capital requirements and repayments on outstanding loan facilities.

If the current weak drybulk rate environment persisted, its impact on our earnings could lead us to being unable to maintain compliance with the covenants under our credit facilities governing our ratios of net debt to EBITDA and EBITDA to interest expense when our compliance is measured on June 30, 2015 or on subsequent measurement dates. Accordingly, we may seek waivers or modifications to our credit agreements, which may be unavailable or subject to conditions. We may also seek to lever assets that are currently unencumbered, refinance our indebtedness or raise additional capital through equity or debt offerings or selling assets (including vessels). We cannot be certain that we will accomplish any such actions.

Absent such waivers or modifications, if we do not comply with these covenants and fail to cure our non-compliance



following applicable notice and expiration of applicable cure periods, we may be in default of one or more of our credit facilities. As a result, some or all of our indebtedness could be declared immediately due and payable, we may not be able to borrow further under our credit facilities, and we may have to seek alternative sources of financing on terms that may not be favorable to us. If we are unable to service or refinance our current or future indebtedness, we may have to take actions such as reducing or delaying acquisitions or capital expenditures, selling assets, seeking additional debt or equity capital, or pursuing other restructuring options. As a result, we may experience a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, under the collateral maintenance covenants of our \$253 Million Term Loan Facility, our \$100 Million Term Loan Facility, the 2010 Baltic Trading Credit Facility, the Baltic Trading \$22 Million Term Loan Facility, the Baltic Trading \$44 Million Term Loan Facility, the 2014 Baltic Trading Term Loan Facilities and the Baltic Trading \$148 Million Credit Facility, the aggregate valuations of our vessels pledged under each facility must at least be a certain percentage of loans outstanding (or, in the case of the 2010 Baltic Trading Credit Facility, the total amount we may borrow), which percentages currently are 135%, 130%, 140%, 130%, 125%, 135% and 140%, respectively. If this test is not met, we may be required to take certain remedial actions. See Critical Accounting Policies Vessels and Depreciation below for further details of our vessel valuations.

Following the procurement of vessel valuations in February 2015, we did not meet the 130% collateral maintenance test under the \$100 Million Term Loan Facility. The actual percentage measured by us was 122.4%, representing an approximate shortfall of approximately \$5.2 million. Under the terms of the credit facility, we must remedy such shortfall within 30 days from the time it is notified by the security agent. We have not been notified by the security agent to take any remedial actions. We have been in communication with the facility's security agent and plan to add one of our unencumbered Handysize vessels as additional collateral to cover the shortfall and satisfy the collateral maintenance test. The next date that valuations under this credit facility will be required is on or around August 17, 2015.

At December 31, 2014, we did not meet the 135% collateral maintenance test under the \$253 Million Term Loan Facility. The actual percentage measured by us was 130.7% at December 31, 2014 and 134.8% on January 9, 2015 following the Company's scheduled amortization payment of \$5,075,000. Under the terms of the credit facility, we must remedy such shortfall within 30 days from the time it is notified by the security agent. We have not been notified by the security agent to take any action to remedy this slight shortfall. We have been in communication with the facility's agent, and we prepaid \$0.2 million of the outstanding indebtedness on March 2, 2015, which will reduce the next scheduled amortization payment of \$5.1 million which is due in early April 2015. The next date that vessel valuations under this credit facility will be required is on or around June 30, 2015.

Our current liquidity needs arise primarily from drydocking for our vessels, and working capital requirements as may be needed to support our business and payments required under our indebtedness. Our primary sources of liquidity are cash flow from operations and cash on hand, including the proceeds of the \$100 million rights offering that was consummated in connection with the Chapter 11 Cases. Subject to the resolution of the foregoing issues related to our credit facilities, we believe that internally generated cash flow and cash on hand will be sufficient to fund the operations of our fleet, including our working capital requirements, for the next twelve months. We expect that our liquidity needs will continue to arise primarily from capital expenditures for our vessels, working capital requirements as may be needed to support our business and payments required under our indebtedness. Our current and future liquidity will greatly depend upon our operating results. Our ability to continue to meet our liquidity needs is subject to and will be affected by cash utilized in operations, the economic or business environment in which we operate, weakness in shipping industry conditions, the financial condition of our customers, vendors and service providers, our ability to comply with the financial and other covenants of our post-restructuring indebtedness, and other factors. Additionally, the Chapter 11 Cases, including the fact that we have been subject to bankruptcy proceedings, and related matters could negatively impact our financial condition.

Historically, we have used funds to pay dividends and to repurchase our common stock from time to time. We have not declared or paid any dividends since the third quarter of 2008 and currently do not plan to resume the payment of dividends. Moreover, pursuant to restrictions under our credit facilities, we are currently prohibited from paying dividends. Future dividends, if any, will depend on, among other things, our cash

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flows, cash requirements, financial condition, results of operations, required capital expenditures or reserves, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant.

On May 28, 2013, Baltic Trading closed on an equity offering of 6,419,217 shares of Baltic Trading common stock at an offering price of \$3.60 per share. Baltic Trading received net proceeds of \$21.6 million after deducting underwriters' fees and expenses. On September 25, 2013, Baltic Trading closed on an equity offering of 13,800,000 shares of Baltic Trading common stock at an offering price of \$4.60 per share. Baltic Trading received net proceeds of \$59.5 million after deducting underwriters' fees and expenses. On November 18, 2013, we closed an equity offering of 12,650,000 shares of common stock at an offering price of \$4.60 per share. We received net proceeds of \$55.1 million after deducting underwriters' fees and expenses. Our wholly-owned subsidiary Genco Investments LLC was issued 128,383, 276,000 and 253,000 shares of Baltic Trading's Class B Stock on May 28, 2013, September 25, 2013 and November 18, 2013, respectively, which represented 2% of the number of common shares issued pursuant to the Subscription Agreement between Genco Investments LLC and Baltic Trading. Currently, Genco Investments LLC owns 6,356,471

shares of Baltic Trading's Class B Stock, which represents an 10.85% ownership interest in Baltic Trading and 64.60% of the aggregate voting power of Baltic Trading's outstanding shares of voting stock.

On April 16, 2010, Baltic Trading entered into the 2010 Baltic Trading Credit Facility with Nordea Bank Finland plc, acting through its New York branch. The 2010 Baltic Trading Credit Facility was subsequently amended effective November 30, 2010 which increased the borrowing capacity from \$100 million to \$150 million. The amended 2010 Baltic Trading Credit Facility matures on November 30, 2016. There was an additional amendment entered into effective August 29, 2013 which reduced the borrowing capacity to \$110 million and allowed Baltic Trading to incur additional indebtedness under new credit facilities. Refer to Note 10 Debt of our consolidated financial statements for a description of this amendment. To remain in compliance with a net worth covenant in the 2010 Baltic Trading Credit Facility, Baltic Trading would need to maintain a net worth of \$300.9 million after the payment of any dividends.

On July 2, 2013, Baltic Trading entered into agreements to purchase two Handysize drybulk vessels from subsidiaries of Clipper Group for an aggregate purchase price of \$41.0 million. The Baltic Hare, a 2009-built Handysize vessel, was delivered on September 5, 2013 and the Baltic Fox, a 2010-built Handysize vessel, was delivered on September 6, 2013. Baltic Trading funded a portion of the purchase price of the vessels using proceeds from its registered follow-on common stock offering completed on May 28, 2013. For the remainder of the purchase price, Baltic Trading drew down \$22.0 million on the Baltic Trading \$22 Million Term Loan Facility on September 4, 2013. The Baltic Trading \$22 Million Term Loan Facility is to be repaid in 23 quarterly repayment installments of approximately \$0.4 million each, the first of which is payable three months after the last drawdown date, or December 4, 2013, and a balloon payment of approximately \$13.4 million payable on September 4, 2019. Interest on borrowings is payable at the three-month LIBOR rate plus a margin of 3.35%. Refer to Note 10 Debt in our consolidated financial statements for further information regarding this credit facility.

On October 31, 2013, Baltic Trading entered into agreements to purchase two Capesize drybulk vessels from affiliates of SK Shipping Co. Ltd. for an aggregate purchase price of \$103.0 million. The Baltic Lion, a 2012-built Capesize vessel, was delivered on December 27, 2013 and the Baltic Tiger, a 2011-built Capesize vessel, was delivered on November 26, 2013. Baltic Trading funded a portion of the purchase price of the vessels using proceeds from its registered follow-on common stock offering completed on September 25, 2013. For the remainder of the purchase price, Baltic Trading drew down \$44.0 million on the Baltic Trading \$44 Million Term Loan Facility on December 23, 2013. The Baltic Trading \$44 Million Term Loan Facility is to be repaid in 23 quarterly repayment installments of approximately \$0.7 million each, the first of which is payable three months after the last drawdown date, or March 24, 2014, and a balloon payment of approximately \$28.2 million payable on December 23, 2019. Interest on borrowings is payable at the three-month LIBOR rate plus a margin of 3.35%. Refer to Note 10 Debt in our consolidated financial statements for further information regarding this credit facility.

On November 13, 2013, Baltic Trading entered into agreements to purchase up to four 64,000 dwt Ultramax newbuilding drybulk vessels from Yangfan Group Co., Ltd. for a purchase price of \$28.0 million per vessel, or up to \$112.0 million in the aggregate. Baltic Trading agreed to purchase two such vessels, to be renamed the Baltic Hornet and Baltic Wasp, and obtained an option to purchase up to two additional such vessels for the same price, which Baltic Trading exercised on January 8, 2014. These vessels are to be renamed the Baltic Mantis and the Baltic Scorpion. The purchases are subject to completion of customary additional documentation and closing conditions. The first of these vessels, the Baltic Hornet, was delivered on October 29, 2014. The Baltic Wasp was delivered to Baltic Trading on January 2, 2015. The Baltic Scorpion and the Baltic Mantis are expected to be delivered to Baltic Trading during the second and third quarters of 2015, respectively. Baltic Trading intends to use a combination of cash on hand, future cash flow from operations as well as debt or equity financing, including the 2014 Baltic Trading Term Loan Facilities and the Baltic Trading \$148 Million Credit Facility as described below and in Note 10 Debt in our consolidated financial statement, to fully finance the acquisition of these four Ultramax newbuilding drybulk vessels. If Baltic Trading is unable to obtain such debt or equity financing to fund the vessels, it may pursue alternatives, including refinancing its existing indebtedness or disposition of assets.

On October 8, 2014, Baltic Trading and its wholly-owned subsidiaries, Baltic Hornet Limited and Baltic Wasp Limited, each entered into a loan agreement and related documentation for a credit facility in a principal amount of up to \$16.8 million with ABN AMRO Capital USA LLC and

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its affiliates (the 2014 Baltic Trading Term Loan Facilities ) to partially finance the newbuilding Ultramax vessel that each subsidiary is to acquire, namely the Baltic Hornet and Baltic Wasp, respectively. Amounts borrowed may not be reborrowed. The 2014 Baltic Trading Term Loan Facilities have a ten-year term and is to be repaid in 20 equal consecutive semi-annual installments of 1/24 of the facility amount a balloon payment of 1/6 of the facility amount to be paid at final maturity. Principal repayments will commence six months after the actual delivery date for the vessel and borrowing bear interest at three or six-month LIBOR rate plus an applicable margin of 2.50%. Refer to Note 10 Debt in our consolidated financial statements for additional information regarding the 2014 Baltic Trading Term Loan Facilities. On October 24, 2014, Baltic Trading drew down \$16.8 million for the purchase of the Baltic Hornet, which was delivered on October 29, 2014. On December 30, 2014, Baltic Trading drew down \$16.4 million for the purchase of the Baltic Wasp, which was delivered on January 2, 2015.

On December 31, 2014, Baltic Trading entered into a \$148.0 million senior secured credit facility with Nordea Bank Finland

plc, New York Branch ( Nordea ), as Administrative and Security Agent, Nordea and Skandinaviska Enskilda Banken AB (Publ) ( SEB ), as Mandated Lead Arrangers, Nordea, as Bookrunner, and the lenders (including Nordea and SEB) party thereto (the Baltic Trading \$148 Million Credit Facility ). The Baltic Trading \$148 Million Credit Facility is comprised of an \$115.0 million revolving credit facility and \$33.0 million term loan facility. Borrowings under the revolving credit facility will be used to refinance Baltic Trading 's outstanding indebtedness under the 2010 Baltic Trading Credit Facility. Amounts borrowed under the revolving credit facility of the Baltic Trading \$148 Million Credit Facility may be re-borrowed. Borrowings under the term loan facility of the Baltic Trading \$148 Million Credit Facility may be incurred pursuant to two single term loans in an amount of \$16.5 million each that will be used to finance, in part, the purchase of two newbuilding Ultramax vessels that Baltic Trading has agreed to acquire, namely the Baltic Scorpion and Baltic Mantis. Amounts borrowed under the term loan facility of the Baltic Trading \$148 Million Term Loan Facility may not be re-borrowed.

The Baltic Trading \$148 Million Credit Facility has a maturity date of December 31, 2019. Borrowings under this facility bear interest at LIBOR plus an applicable margin of 3.00% per annum. A commitment fee of 1.2% per annum is payable on the unused daily portion of the Baltic Trading \$148 Million Credit Facility, which began accruing on December 31, 2014. The commitment under the revolving credit facility of the Baltic Trading \$148 Million Term Loan Facility is subject to equal consecutive quarterly reductions of approximately \$2.5 million each beginning June 30, 2015 through September 30, 2019. Borrowings under the term loan facility of the Baltic Trading \$148 Million Term Loan Facility are subject to equal consecutive quarterly installment repayments commencing three months after delivery of the relevant newbuilding Ultramax vessel, each in the amount of 1/60th of the aggregate outstanding term loan. All remaining amounts outstanding under the Baltic Trading \$148 Million Term Loan Facility must be repaid in full on the maturity date, December 31, 2019. Refer to Note 10 Debt in our consolidated financial statements for additional information regarding the Baltic Trading \$148 Million Credit Facility.

## **Dividends**

Under the terms of the \$253 Million Term Loan Facility and the \$100 Million Term Loan Facility as amended in connection with the Prepack Plan, we are prohibited from paying dividends or repurchasing our stock through March 31, 2015. Moreover, we would make dividend payments to our shareholders only if our Board of Directors, acting in its sole discretion, determines that such payments would be in our best interest and in compliance with relevant legal and contractual requirements. The principal business factors that our Board of Directors would consider when determining the timing and amount of dividend payments would be our earnings, financial condition and cash requirements at the time. Marshall Islands law generally prohibits the declaration and payment of dividends other than from surplus. Marshall Islands law also prohibits the declaration and payment of dividends while a company is insolvent or would be rendered insolvent by the payment of such a dividend.

## **Cash Flow**

Net cash used in operating activities for the year ended December 31, 2014 and 2013 was \$60.2 million and \$3.1 million, respectively. The increase in cash used in operating activities was primarily due to the net loss of \$346.2 million for the year ended December 31, 2014, which represents the net of the net income of \$571.2 million and the \$917.4 million of non-cash reorganization items and fresh-start reporting adjustments, compared to a net loss of \$157.0 million for the year ended December 31, 2013, which was primarily due to pre-petition and post-petition reorganization expenses incurred related to our Chapter 11 Cases during the twelve months ended December 31, 2014. Depreciation and amortization decreased by \$28.1 million as a result of the adoption of fresh-start reporting on the Effective Date which required us to revalue our vessels assets at market partially offset by the increase in the size of our fleet due to the delivery of four Baltic Trading vessels during the second half of 2013 and one Baltic Trading during the fourth quarter of 2014. Additionally, there was a \$10.9 million increase in deferred drydocking costs incurred during the year ended December 31, 2014 as a total of 26 vessels completed drydocking during the year ended December 31, 2014, including six of Baltic Trading 's vessels, as compared to only six vessels that completed drydocking during the year ended December 31, 2013. These increases in the net cash used in operations were partially offset by a \$20.3 million increase in the amortization of nonvested stock compensation due to the amortization of the MIP Warrants and restricted shares issued after the Effective Date by the Successor Company. Lastly, the increases in net cash used in operations were partially offset by goodwill impairment of \$166.1 million

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that was recorded during the year ended December 31, 2014 and related to goodwill that was originally recorded upon the adoption of fresh-start reporting on the Effective Date.

Net cash used in investing activities for the year ended December 31, 2014 and 2013 was \$74.6 million and \$146.6 million, respectively. Net cash used in investing activities for the year ended December 31, 2014 consisted primarily of \$54.5 million of vessels asset purchases, including deposits. This consisted primarily of deposits made by Baltic Trading for its four newbuilding vessels that it has agreed to acquire, one of which was delivered during the year ended December 31, 2014. Additionally, there was a \$19.5 million change in deposits of restricted cash during the year ended December 31, 2014 primarily due to the \$19.6 million of restricted cash that was held in an escrow accounts as of December 31, 2014 for the purchase of the Baltic Wasp, which was delivered on January 2, 2015. For the year ended December 31, 2013, cash used in investing activities consisted primarily of \$145.4 million of vessel asset purchases, including deposits for the purchase of the Baltic Fox, Baltic Hare, Baltic Lion and Baltic Tiger which were

delivered to Baltic Trading during the third and fourth quarter of 2013.

Net cash provided by financing activities was \$95.5 million during the year ended December 31, 2014 as compared to \$199.8 million during the year ended December 31, 2013. Net cash provided by financing during the year ended December 31, 2014 was primarily a result of the \$100.0 million received from the Rights Offering pursuant to the Plan. Additionally, there was \$33.2 million of proceeds from the 2014 Baltic Trading Term Loan Facilities. These amounts were partially offset by the following; \$15.2 million repayment of debt under the \$253 Million Term Loan Facility, \$7.7 million repayment of debt under the \$100 Million Term Loan Facility; \$6.8 million for payments of deferred financing costs, \$2.8 million repayment of debt under the Baltic Trading \$44 Million Term Loan Facility; \$1.5 million repayment of debt under the Baltic Trading \$22 Million Term Loan Facility as well as \$0.1 million for payment of common stock issuance costs by Baltic Trading. Additionally, there was a \$0.5 million settlement payment made to non-accredited 2010 Note holders. Net cash provided by financing activities during the year ended December 31, 2013 was primarily a result of \$136.3 million of net proceeds from common stock issued by Baltic Trading, \$44.0 million of proceeds from the Baltic Trading \$44 Million Term Loan Facility, \$22.0 million of proceeds from the Baltic Trading \$22 Million Term Loan Facility, as well as \$1.0 million of proceeds from the 2010 Baltic Trading Credit Facility. These amounts were partially offset by \$1.5 million for payments of deferred financing costs and \$0.4 million repayment of debt under the Baltic Trading \$22 Million Term Loan Facility.

Net cash used in operating activities for the year ended December 31, 2013 was \$3.1 million versus \$18.8 million for the year ended December 31, 2012. The decrease in net cash used in operating activities was primarily due to an increase in the amortization of deferred financing costs, lower drydocking costs incurred as well as an increase in accounts payable during the year ended December 31, 2013 as compared to the prior year.

Net cash used in investing activities for the year ended December 31, 2013 and 2012 was \$146.6 million and \$3.7 million, respectively. The increase was due to the use of more funds for vessel purchases, including deposits, during the year ended December 31, 2013 as compared to prior year. For the year ended December 31, 2013, cash used in investing activities consisted primarily of the purchase of vessels, including deposits, of \$145.4 million and purchase of other fixed assets totaling \$1.2 million. For the year ended December 31, 2012, cash used in investing activities was predominantly due to purchases of other fixed assets in the amount of \$2.1 million and vessel related purchases totaling \$1.2 million.

Net cash provided by financing activities was \$199.8 million during the year ended December 31, 2013 as compared to net cash used in financing activities of \$132.9 million during the year ended December 31, 2012. Cash provided by financing activities for the year ended December 31, 2013 consisted primarily of the following: \$136.3 million of net proceeds from the issuance of common stock by our subsidiary Baltic Trading, \$22.0 million of proceeds from the Baltic Trading \$22 Million Term Loan Facility, \$44.0 million of proceeds from the Baltic Trading \$44 Million Term Loan Facility, \$1.0 million of proceeds from the 2010 Baltic Trading Credit Facility. These amounts were partially offset by the following: \$0.4 million repayment of debt under the Baltic Trading \$22 Million Term Loan Facility, \$1.6 million dividend payment by Baltic Trading to its outside shareholders and \$1.5 million payment of deferred financing costs. Under amendments to all three of our credit facilities in August 2012, our scheduled amortization payments have been eliminated for each of the credit facilities through and including the quarter ended December 31, 2013. Cash used in financing activities for the year ended December 31, 2012 mainly consisted of the following: \$118.6 million repayment of debt under the 2007 Credit Facility, \$15.4 million repayment of debt under the \$100 Million Term Loan Facility, \$40.6 million repayment of debt under the \$253 Million Term Loan Facility, \$4.1 million of deferred financing costs and the \$4.1 million dividend payment by Baltic Trading to its outside shareholders. These uses of cash were partially offset by \$49.9 million of net proceeds provided by our follow-on offering during February 2012.

#### **Credit Facilities**

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Refer to Note 10 Debt of our consolidated financial statements for a summary of our outstanding credit facilities, including the underlying financial and non-financial covenants. On August 1, 2012, we entered into the August 2012 Agreements, which amended or waived certain provisions of the agreements for the 2007 Credit Facility, the \$100 Million Term Loan Facility and the \$253 Million Term Loan Facility. On August 29, 2013, Baltic Trading entered into an amendment to the 2010 Baltic Trading Credit Facility. Additionally, on August 30, 2013, wholly-owned subsidiaries of Baltic Trading entered into the Baltic Trading \$22 Million Term Loan Facility to fund a portion of the purchase of the Baltic Fox and Baltic Hare and on December 3, 2013, wholly-owned subsidiaries of Baltic Trading entered into the Baltic Trading \$44 Million Term Loan Facility to fund or refund a portion of the purchase of the Baltic Tiger and Baltic Lion. On October 8, 2014, wholly-owned subsidiaries of Baltic Trading entered into the 2014 Baltic Trading Term Loan Facilities to fund a portion of the purchase of the Baltic Hornet and Baltic Wasp. Lastly, on December 31, 2014, Baltic Trading entered into the Baltic Trading \$148 Million Credit Facility which is comprised of a \$115.0 million revolving credit facility and \$33.0 million term loan facility to fund or refund a portion of the purchase of the Baltic Scorpion and Baltic Mantis. Borrowings under the Baltic Trading \$148 Million Credit Facility will be used to refinance Baltic Trading's indebtedness under the 2010 Baltic Trading Credit Facility. Refer to Note 10 Debt in our consolidated financial statements for further information regarding the terms and fees associated with these agreements.



On July 2, 2014, the Bankruptcy Court entered the Confirmation Order, confirming the Plan. On July 9, 2014 (the Effective Date), we completed our financial restructuring and emerged from Chapter 11 through a series of transactions contemplated by the Plan, and the Plan became effective pursuant to its terms.

Key components of the Plan regarding the credit facilities and the 2010 Notes included:

- The conversion of 100% of the Claims under the 2007 Credit Facility into 81.1% of the New Genco Common Stock (subject to dilution by the warrants issued under the Plan). On the Effective Date, the 2007 Credit Facility was terminated, and the liens and mortgages thereunder were released. Refer to Note 10 Debt in our consolidated balance sheet for further information.
- The conversion of 100% of the Claims under the 2010 Notes into 8.4% of the New Genco Common Stock (subject to dilution by the warrants issued under the Plan). On the Effective Date, the 2010 Notes and the Indenture were fully satisfied and discharged. Refer to Note 11 Convertible Senior Notes in our consolidated financial statements for further information.
- The amendment and restatement of the \$253 Million Term Loan Facility and the \$100 Million Term Loan Facility as of the Effective Date, with extended maturities, a financial covenant holiday and certain other amendments, as discussed further in Note 10 Debt in our consolidated financial statements.

As of December 31, 2014, we believe we were in compliance with all of the financial covenants under the \$253 Million Term Loan Facility; the \$100 Million Term Loan Facility; the 2010 Baltic Trading Credit Facility, as amended; the Baltic Trading \$22 Million Term Loan Facility; the Baltic Trading \$44 Million Term Loan Facility and the 2014 Baltic Trading Term Loan Facilities.

#### **Convertible Notes Payable**

Refer to Note 11 Convertible Senior Notes of our consolidated financial statements for a summary of the convertible notes payable. On the Effective Date when the Company emerged from Chapter 11, the 2010 Notes and the Indenture were fully satisfied and discharged.

#### **Interest Rate Swap Agreements, Forward Freight Agreements and Currency Swap Agreements**

At December 31, 2013, we had four interest rate swap agreements with DNB Bank ASA to manage interest costs and the risk associated with changing interest rates. The total notional principal amount of the swaps was \$306.2 million and the swaps had specified rates and durations. Notwithstanding the forbearances under the Relief Agreements, the fact that we did not make the scheduled amortization payment under our 2007 Credit Facility on March 31, 2014 constituted an event of default under our currently outstanding interest rate swap.

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As of March 31, 2014, we were in default under covenants of our 2007 Credit Facility due to the default on the scheduled debt amortization payment due on March 31, 2014. The default under the 2007 Credit Facility required us to elect interest periods of only one month; therefore, we no longer qualified for hedge accounting under the original designation and hedge accounting was terminated effective March 31, 2014. Additionally, the filing of the Chapter 11 Cases on the Petition Date constituted an event of default with respect to the outstanding interest rate swap with DNB Bank ASA. As a result, DNB Bank ASA terminated all transactions under the remaining swap agreement effective April 30, 2014 and filed a secured claim with the Bankruptcy Court of \$5.6 million. The interest rate swap was settled on the Effective Date upon our emergence from bankruptcy. This liability was paid by the Successor Company during the period from July 9 to December 31, 2014.

Refer to the table in Note 12 Interest Rate Swap Agreements of our consolidated financial statements for further information.

We have considered the creditworthiness of both ourselves and the counterparty in determining the fair value of the interest rate derivatives, and such consideration resulted in an immaterial adjustment to the fair value of derivatives on the balance sheet. Valuations prior to any adjustments for credit risk are validated by comparison with counterparty valuations. Amounts are not and should not be identical due to the different modeling assumptions. Any material differences are investigated.

As part of our business strategy, we may enter into arrangements commonly known as forward freight agreements, or FFAs, to hedge and manage market risks relating to the deployment of our existing fleet of vessels. These arrangements may include future contracts, or commitments to perform in the future a shipping service between ship owners, charters and traders. Generally, these arrangements would bind us and each counterparty in the arrangement to buy or sell a specified tonnage freighting commitment forward at an agreed time and price and for a particular route. Although FFAs can be entered into for a variety of purposes, including for hedging, as an option, for trading or for arbitrage, if we decided to enter into FFAs, our objective would be to hedge and

manage market risks as part of our commercial management. It is not currently our intention to enter into FFAs to generate a stream of income independent of the revenues we derive from the operation of our fleet of vessels. If we determine to enter into FFAs, we may reduce our exposure to any declines in our results from operations due to weak market conditions or downturns, but may also limit our ability to benefit economically during periods of strong demand in the market. We have not entered into any FFAs as of December 31, 2014 and 2013.

## Interest Rates

The effective interest rate associated with the interest expense for our various debt facilities (2007 Credit Facility (until its termination on the Effective Date), \$100 Million Term Loan Facility, \$253 Million Term Loan Facility, 2010 Baltic Trading Credit Facility, Baltic Trading \$22 Million Term Loan Facility, \$44 Million Term Loan Facility and the 2014 Baltic Trading Term Loan Facilities), including the rate differential between the pay fixed receive variable rate on the interest rate swap agreements that were in effect, combined, and the cost associated with unused commitment fees was 4.19% and 4.70% during 2014 and 2013, respectively. The interest rate on the debt, excluding impact of swaps and the unused commitment fees, ranged from 2.73% to 5.15% and from 3.16% to 4.38% for 2014 and 2013, respectively. The effective interest rate associated with the liability component of the 2010 Notes was 10.0% during 2013. We ceased recording interest expense related to the 2010 Notes on April 21, 2014, the date we filed the Chapter 11 Cases, which constituted an event of default with respect to the 2010 Notes. The effective interest rate associated with the liability component of the 2010 Notes was 10.0% from the period from January 1 to April 21, 2014, refer to Note 11 Convertible Senior Notes in our consolidated financial statements for further information.

## Contractual Obligations

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2014. The table incorporates the employment agreement entered into in September 2007 with our Chief Financial Officer, John Wobensmith. The table reflects Baltic Trading's agreements to acquire the remaining two newbuilding Ultramax drybulk vessels from Yangfan Group Co., Ltd. for an aggregate purchase price of \$56.0 million. Baltic Trading plans to finance these vessel acquisitions with a combination of cash on hand, future cash flow from operations, as well as debt or equity financing, including the 2014 Baltic Trading Term Loan Facilities and the Baltic Trading \$148 Million Credit Facility, as discussed above under Liquidity and Capital Resources. The interest and borrowing fees and credit agreement payments below reflect the \$100 Million Term Loan Facility, the \$253 Million Term Loan Facility, the Baltic Trading \$22 Million Term Loan Facility, the Baltic Trading \$44 Million Term Loan Facility and the 2014 Baltic Trading Term Loan Facilities, as well as other fees associated with these facilities. Additionally, the interest and borrowing fees incorporate the unused fees, interest expense and the arrangement fee and structuring fee related to the Baltic Trading \$148 Million Credit Facility, which was entered into effective December 31, 2014 and was utilized to refinance the 2010 Baltic Trading Credit Facility. The arrangement fee and structuring fee for the Baltic Trading \$148 Million Credit Facility were \$1.6 million and \$0.4 million, respectively. Refer to Note 10 Debt in our consolidated financial statements for further information regarding the terms of the aforementioned credit facilities. The following table also incorporates the future lease payments associated with the lease for our current space and excludes the lease from our former space as we have filed a motion to reject the lease for our former space in the bankruptcy proceedings which was accepted on the Effective Date upon our emergence from Chapter 11. Refer to Note 22 Commitments and Contingencies in our consolidated financial statements for further information regarding the terms of our two lease agreements.

	Total	Less Than One Year	One to Three Years	Three to Five Years	More than Five Years
	(U.S. dollars in thousands)				
Credit Agreements(1)	\$ 432,385	\$ 34,324	\$ 86,425	\$ 291,617	\$ 20,019
Interest and borrowing fees	62,432	17,044	25,790	17,811	1,787
Remainder of purchase price of vessels (2)	42,000	42,000			
Executive employment agreement	373	373			
Office leases	19,695	1,037	2,152	3,146	13,360

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Totals	\$	556,885	\$	94,778	\$	114,367	\$	312,574	\$	35,166
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(1) On December 30, 2014, \$16.4 million was drawn down from the 2014 Baltic Trading Term Loan Facilities in order to fund the purchase of the Baltic Wasp, which was delivered to Baltic Trading on January 2, 2015. As such, it is included in the total contractual obligations for credit agreement payments as of December 31, 2014. These amounts do not include the \$10.5 million that was drawn down by Baltic Trading on the Baltic Trading \$148 Million Credit Facility on February 27, 2015.

(2) The timing of this obligation is based on the estimated delivery dates for the Baltic Scorpion and Baltic Mantis. Upon the delivery of the Baltic Wasp to Baltic Trading on January 2, 2015, the remaining purchase price of \$19.6 million was paid to Yangfan Group Co., Ltd. As of December 31, 2014, the \$19.6 million remaining purchase price for the Baltic Wasp was included in Restricted Cash in the consolidated balance sheets as the payment was being held in an escrow account

until the vessel was delivered on January 2, 2015. As such, this payment is excluded in the table above.

Interest expense has been estimated using 0.26% plus the applicable margin of 3.50% for the \$100 Million Term Loan Facility and the \$253 Million Term Loan Facility and 2.50% for the 2014 Baltic Trading Term Loan Facilities. For the Baltic Trading \$22 Million Term Loan Facility and the Baltic Trading \$44 Million Term Loan Facility, interest expense has been estimated using 0.26% plus the applicable margin of 3.35%. Interest expense has been estimated using 0.17% plus the applicable margin for the amended 2010 Baltic Trading Credit Facility of 3.00% until January 7, 2015 when the 2010 Baltic Trading Credit Facility was paid down with proceeds from the Baltic Trading \$148 Million Credit Facility. Beginning January 7, 2015, interest expense has been estimated using 0.26% plus the applicable margin for the Baltic Trading \$148 Million Credit Facility of 3.00%.

### **Capital Expenditures**

We make capital expenditures from time to time in connection with our vessel acquisitions. Excluding Baltic Trading's vessels, our fleet currently consists of nine Capesize drybulk carriers, eight Panamax drybulk carriers, 17 Supramax drybulk carriers, six Handymax drybulk carriers and 13 Handysize drybulk carriers. Baltic Trading's fleet currently consists of four Capesize drybulk carriers, two Ultramax drybulk carriers, four Supramax drybulk carriers and five Handysize drybulk carriers. After the expected delivery of the remaining two Ultramax vessels that Baltic Trading has agreed to acquire, Baltic Trading's fleet will consist of four Capesize drybulk carriers, four Ultramax drybulk carriers, four Supramax drybulk carriers and five Handysize drybulk carriers. Baltic Trading intends to use a combination of cash on hand, future cash flow from operations as well as debt or equity financing, including the 2014 Baltic Trading Term Loan Facilities and the Baltic Trading \$148 Million Credit Facility, to fully finance the acquisition of these four Ultramax newbuilding drybulk vessels.

As previously announced, we have initiated a fuel efficiency upgrade program for certain of our vessels. We believe this program will generate considerable fuel savings going forward and increase the future earnings potential for these vessels. The cost of the upgrades, which will be performed under the planned drydocking schedule, is expected to be approximately \$0.3 million for a Supramax vessel and \$0.5 million for a Capesize vessel and is included in GS&T and Baltic Trading's estimated drydocking costs below. Additionally, during 2015, we expect these upgrades to be installed on four of GS&T's Supramax vessels and two of Baltic Trading's Capesize vessels. During 2016, we also expect these upgrades to be installed on one of GS&T's Supramax vessels. The upgrades have been successfully installed on four of our vessels, the Genco Aquitaine, Genco Ardennes, Genco Auvergne and Genco Titus, which completed their planned drydockings during the third and fourth quarter of 2014. Additionally, the upgrades have been successfully installed on five of Baltic Trading's vessels, the Baltic Cougar, the Baltic Panther, the Baltic Leopard, the Baltic Jaguar and the Baltic Wind, which completed their planned drydockings during the first half of 2014.

Under U.S. Federal law and 33 CFR, Part 151, Subpart D, U.S. approved ballast water treatment systems will be required to be installed in all vessels at the first out of water drydocking after January 1, 2016 if these vessels are to discharge ballast water inside 12 nautical miles of the coast of the United States. Currently, we do not believe there are any ballast water treatment systems that are approved by U.S. authorities; however, an alternative management system (AMS) may be installed in lieu. For example, in February 2015, the USCG added Bawat to the list of ballast water treatment systems that received AMS acceptance. An AMS is valid for five years from the date of required compliance with ballast water discharge standards, by which time it must be replaced by an approved system unless the AMS itself achieves approval. The cost of these systems will vary based on the size of the vessel, and the Company estimates the cost of the systems to be \$1.0 million for Capesize, \$0.8 million for Panamax, \$0.8 million for Supramax, \$0.7 million for Handymax and \$0.7 million for Handysize vessels. Any newbuilding vessels that we acquire will have an AMS installed when the vessel is being built. The costs of ballast water treatment systems will be capitalized and depreciated over the remainder of the life of the vessel, assuming the system the Company installs becomes approved. These amounts would be in addition to the amounts budgeted for drydocking below.

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In addition to acquisitions that we may undertake in future periods, we will incur additional capital expenditures due to special surveys and drydockings for our fleet. We estimate our drydocking costs, including capitalized costs incurred during drydocking related to vessel assets and vessel equipment, and scheduled off-hire days for our fleet, excluding Baltic Trading's vessels, through 2016 to be:

<b>Year</b>	<b>Estimated Drydocking Cost (U.S. dollars in millions)</b>	<b>Estimated Off-hire Days</b>
2015	\$ 12.5	340
2016	\$ 10.8	330

The costs reflected are estimates based on drydocking our vessels in China. Actual costs will vary based on various factors, including where the drydockings are actually performed. We expect to fund these costs with cash from operations. These costs do not

include drydock expense items that are reflected in vessel operating expenses, including the write-off of any steel that is replaced during drydocking. Additionally, these costs do not include the cost of ballast water treatment systems as noted above.

We estimate that each drydock will result in approximately 20 days of off-hire. Actual length will vary based on the condition of the vessel, yard schedules and other factors. Higher repairs and maintenance expenses during drydocking for vessels which are over 15 years old typically result in a higher number of off-hire days depending on the condition of the vessel.

During 2014 and 2013, we incurred a total of \$12.2 million and \$4.7 million of drydocking costs, respectively, excluding costs incurred during drydocking that were capitalized to vessel assets or vessel equipment.

Twenty of our vessels completed their drydockings during 2014, including the Genco Acheron and Genco Loire, which entered the drydocking yard during the fourth quarter of 2013. We estimate that 14 of our vessels will be drydocked during 2015 and 12 of our vessels will be drydocked during 2016.

#### **Baltic Trading Limited**

In addition to acquisitions that Baltic Trading may undertake in future periods, Baltic Trading will incur additional capital expenditures due to special surveys and drydockings for its fleet. We estimate our drydocking costs, including capitalized costs incurred during drydocking related to vessel assets and vessel equipment, and scheduled off-hire days for Baltic Trading's fleet through 2015 to be:

<b>Year</b>	<b>Estimated Drydocking Cost (U.S. dollars in millions)</b>	<b>Estimated Off-hire Days</b>
2015	\$ 4.6	100
2016	\$ 1.7	40

The costs reflected are estimates based on drydocking our vessels in China. Actual costs will vary based on various factors, including where the drydockings are actually performed. We expect to fund these costs with cash from operations. These costs do not include drydock expense items that are reflected in vessel operating expenses, including the write-off of any steel that is replaced during drydocking. Additionally, these costs do not include the cost of ballast water treatment systems as noted above.

We estimate that each drydock will result in approximately 20 days of off-hire. Actual length will vary based on the condition of the vessel, yard schedules and other factors.

During 2014 and 2013, Baltic Trading incurred a total of \$3.4 million and \$0.1 million of drydocking costs, respectively, excluding costs incurred during drydocking that were capitalized to vessel assets or vessel equipment.

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Six of Baltic Trading's vessels were drydocked during the year ended December 31, 2014. We estimate that five of Baltic Trading's vessels will be drydocked during 2015 and two vessels will be drydocked during 2016.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

### **Inflation**

Inflation has only a moderate effect on our expenses given current economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating, voyage, general and administrative, and financing costs.

### **CRITICAL ACCOUNTING POLICIES**

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of those financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.



Critical accounting policies are those that reflect significant judgments of uncertainties and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies, because they generally involve a comparatively higher degree of judgment in their application. For an additional description of our significant accounting policies, see Note 2 to our consolidated financial statements included in this 10-K.

#### Time Charters Acquired

When a vessel is acquired with an existing time charter, we allocate the purchase price of the vessel and the time charter based on, among other things, vessel market valuations and the present value (using an interest rate which reflects the risks associated with the acquired charters) of the difference between (i) the contractual amounts to be paid pursuant to the charter terms and (ii) management's estimate of the fair market charter rate, measured over a period equal to the remaining term of the charter. The capitalized above-market (assets) and below-market (liabilities) charters are amortized as a reduction or increase, respectively, to voyage revenues over the remaining term of the charter.

Upon our emergence from bankruptcy on the Effective Date, we adopted fresh-start reporting and valued any existing fixed rate time charters to their fair values. On the Effective Date, we recorded an asset for time charters acquired for the Genco Bourgogne, Genco Muse and Genco Spirit in the amount of \$0.5 million based on the present value of the difference between the contractual amounts to be paid and our estimated of the fair market charter rate. In order to calculate the present value, we utilized a discount rate of 10%. If we utilized a discount rate of 7% or 13% as compared to 10%, it would have resulted in an immaterial increase and decrease, respectively, in the asset balance.

#### Performance Claims

Revenue is based on contracted charterparties, including spot-market related time charters which rates fluctuate based on changes in the spot market. However, there is always the possibility of dispute over terms and payment of hires and freights. In particular, disagreements may arise as to the responsibility of lost time and revenue due to us as a result. Additionally, there are certain performance parameters included in contracted charterparties which if not met, can result in customer claims. Accordingly, we periodically assess the recoverability of amounts outstanding and estimate a provision if there is a possibility of non-recoverability. At each balance sheet date, we provide a provision based on a review of all outstanding charter receivables and we also will accrue for any estimated customer claims primarily a result of time charter performance issues that have not yet been deducted by the charterer. We provide for reserves which offset the due from charterers balance if a disputed amount or performance claim has been deducted by the charterer. If a disputed amount or potential performance claim has not been deducted by the charterer, we record the estimated customer claims as deferred revenue. Providing for these reserves will be offset by a decrease in revenue. Although we believe its provisions to be reasonable at the time they are made, it is possible that an amount under dispute is not ultimately recovered and the estimated provision for doubtful accounts is inadequate.

#### Vessels and Depreciation

We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel and expenditures made to prepare the vessel for its initial voyage) less accumulated depreciation. We depreciate our drybulk vessels on a straight-line basis over their estimated useful lives, estimated to be 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less the estimated residual scrap value. Effective July 9, 2014, the Effective Date, we increased the estimated scrap value of the vessels from \$245/lwt to \$310/lwt prospectively based on the 15-year average scrap value of steel. This increase in the residual value of the vessels will decrease the annual depreciation charge over the remaining useful life of the vessels. During the period from July 9, 2014 to December 31, 2014, the increase in the estimated scrap value resulted in a decrease in depreciation expense of approximately \$1.5 million for the Successor Company. Similarly,

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an increase in the useful life of a drybulk vessel would also decrease the annual depreciation charge. Comparatively, a decrease in the useful life of a drybulk vessel or in its residual value would have the effect of increasing the annual depreciation charge. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, we will adjust the vessel's useful life to end at the date such regulations preclude such vessel's further commercial use.

The carrying value each of our vessels does not represent the fair market value of such vessel or the amount we could obtain if we were to sell any of our vessels, which could be more or less. Under U.S. GAAP, we would not record a loss if the fair market value of a vessel (excluding its charter) is below our carrying value unless and until we determine to sell that vessel or the vessel is impaired as discussed below under

Impairment of long-lived assets. Excluding the three Bourbon vessels we resold immediately upon delivery to MEP at our cost, we have sold three of our vessels since our inception and realized a profit in each instance. However, we did determine to cancel an acquisition of six drybulk newbuildings in November 2008, incurring a \$53.8 million loss from the forfeiture of our deposit and related interest.

Pursuant to our bank credit facilities, we regularly submit to the lenders valuations of our vessels on an individual charter free

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basis in order to evidence our compliance with the collateral maintenance covenants under our bank credit facilities. Such a valuation is not necessarily the same as the amount any vessel may bring upon sale, which may be more or less, and should not be relied upon as such. We were in compliance with the collateral maintenance covenants under our \$100 Million Term Loan Facility, as amended; the \$253 Million Term Loan Facility, as amended; the 2010 Baltic Trading Credit Facility; the Baltic Trading \$22 Million Term Loan Facility; the Baltic Trading \$44 Million Term Loan Facility; and the 2014 Baltic Trading Term Loan Facilities at December 31, 2014. We obtained valuations for all of the vessels in our fleet, including Baltic Trading, as of December 31, 2014 pursuant to the terms of the credit facilities, with the exception of the \$100 Million Term Loan Facility which we utilized the August 18, 2014 valuations pursuant to the terms of the credit facility. In the chart below, we list each of our vessels, the year it was built, the year we acquired it, and its carrying value at December 31, 2014 and 2013.

At December 31, 2014, the vessel valuations of all of our vessels for covenant compliance purposes under our bank credit facilities as of the most recent compliance testing date, with the exception of the Genco Avra, Genco Mare and Genco Spirit, were lower than their carrying values at December 31, 2014. At December 31, 2013, the vessel valuations of all of our vessels for covenant compliance purposes under our bank credit facilities as of the most recent compliance testing date, with the exception of the Baltic Fox, Baltic Hare and Baltic Lion, were lower than their carrying values at December 31, 2013. For the Genco Bay, Genco Ocean, Genco Avra, Genco Mare and Genco Spirit, the last compliance testing date prior to December 31, 2014 and 2013 was August 18, 2014 and August 17, 2013, respectively, in accordance with the terms of the \$100 Million Term Loan Facility; for all other vessels, the compliance testing date was December 31, 2014 and 2013, respectively, in accordance with the terms of the applicable credit facility.

The amount by which the carrying value at December 31, 2014 of all of the vessels in our fleet, with the exception of the Genco Avra, Genco Mare and Genco Spirit, exceeded the valuation of such vessels for covenant compliance purposes ranges, on an individual vessel basis, from \$0.1 million to \$8.2 million per vessels, and \$246.6 million on an aggregate fleet basis. The amount by which the carrying value at December 31, 2013 of all of the vessels in our fleet, with the exception of the Baltic Fox, Baltic Hare and Baltic Lion, exceed the valuation of such vessels for covenant compliance purposes ranged, on an individual basis, from \$0.3 million to \$64.3 million per vessel, and \$1,171.3 million on an aggregate fleet basis. The average amount by which the carrying value of these vessels exceeded the valuation of such vessels for covenant compliance purposes was \$3.9 million as of December 31, 2014 and \$18.6 million as of December 31, 2013. However, neither such valuation nor the carrying value in the table below reflects the value of long-term time charters related to some of our vessels.

Vessels	Year Built	Year Acquired	Carrying Value (U.S. dollars in thousands) as of December 31,	
			2014	2013
<b>Unencumbered</b>				
Genco Reliance	1999	2004	\$ 9,379	\$ 14,135
Genco Vigour	1999	2004	12,064	19,393
Genco Explorer	1999	2004	9,367	13,981
Genco Carrier	1998	2004	11,209	14,087
Genco Sugar	1998	2004	8,502	13,016
Genco Pioneer	1999	2005	9,352	13,849
Genco Progress	1999	2005	9,364	14,035
Genco Wisdom	1997	2005	10,354	13,238
Genco Success	1997	2005	10,338	13,139
Genco Beauty	1999	2005	12,061	19,514
Genco Knight	1999	2005	12,043	19,205
Genco Leader	1999	2005	12,039	19,183
Genco Marine	1996	2005	9,346	12,382
Genco Prosperity	1997	2005	10,356	13,318
Genco Muse	2001	2005	14,617	19,371
Genco Acheron	1999	2006	12,028	18,981
Genco Surprise	1998	2006	11,058	17,974
Genco Augustus	2007	2007	41,761	98,002
Genco Tiberius	2007	2007	41,763	98,193

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Genco London	2007	2007	40,242	99,694
Genco Titus	2007	2007	40,603	100,199
Genco Challenger	2003	2007	12,851	30,169
Genco Charger	2005	2007	14,726	33,537

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Genco Warrior	2005	2007	20,348	48,971
Genco Predator	2005	2007	20,349	50,309
Genco Hunter	2007	2007	22,710	54,614
Genco Champion	2006	2008	15,710	35,080
Genco Constantine	2008	2008	44,133	105,126
Genco Raptor	2007	2008	19,802	71,552
Genco Cavalier	2007	2008	18,694	58,506
Genco Thunder	2007	2008	19,810	71,782
Genco Hadrian	2008	2008	43,587	103,504
Genco Commodus	2009	2009	46,057	105,973
Genco Maximus	2009	2009	46,065	105,990
Genco Claudius	2010	2009	48,275	107,688
<b>TOTAL</b>			<b>\$ 740,963</b>	<b>\$ 1,647,690</b>

**\$ 100 Million Term Loan Facility**

Genco Bay	2010	2010	20,822	30,024
Genco Ocean	2010	2010	20,829	30,100
Genco Avra	2011	2011	21,945	31,194
Genco Mare	2011	2011	21,948	31,107
Genco Spirit	2011	2011	21,954	31,732
<b>TOTAL</b>			<b>\$ 107,498</b>	<b>\$ 154,157</b>

**\$ 253 Million Term Loan Facility**

Genco Aquitaine	2009	2010	20,963	31,601
Genco Ardennes	2009	2010	20,967	31,752
Genco Auvergne	2009	2010	21,157	31,745
Genco Bourgogne	2010	2010	22,110	31,734
Genco Brittany	2010	2010	21,966	31,799
Genco Languedoc	2010	2010	21,967	31,966
Genco Loire	2009	2010	20,321	28,870
Genco Lorraine	2009	2010	20,320	28,565
Genco Normandy	2007	2010	18,702	26,311
Genco Picardy	2005	2010	20,321	25,705
Genco Provence	2004	2010	19,211	25,299
Genco Pyrenees	2010	2010	21,971	31,742
Genco Rhone	2011	2011	23,054	33,347
<b>TOTAL</b>			<b>\$ 273,030</b>	<b>\$ 390,436</b>

**2010 Baltic Trading Credit Facility**

Baltic Leopard	2009	2009	20,325	30,312
Baltic Panther	2009	2010	20,327	30,389
Baltic Cougar	2009	2010	20,329	30,540
Baltic Jaguar	2009	2010	20,330	30,459
Baltic Bear	2010	2010	47,251	63,754
Baltic Wolf	2010	2010	47,210	63,561
Baltic Wind	2009	2010	19,831	29,081
Baltic Cove	2010	2010	20,824	29,437
Baltic Breeze	2010	2010	20,833	30,002
<b>TOTAL</b>			<b>\$ 237,260</b>	<b>\$ 337,535</b>

**Baltic Trading \$22 Million Term Loan Facility**

Baltic Fox	2010	2013	20,444	21,017
Baltic Hare	2009	2013	19,331	19,955
<b>TOTAL</b>			<b>\$ 39,775</b>	<b>\$ 40,972</b>

**Baltic Trading \$44 Million Term Loan Facility**

Baltic Lion	2009	2013	53,659	52,589
Baltic Tiger	2010	2013	51,541	50,416

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			\$	105,200	\$	103,005
<b>2014 Baltic Trading Term Loan Facilities</b>						
Baltic Hornet	2014	2014		29,117		
			\$	29,117	\$	
Consolidated Total			\$	1,532,843	\$	2,673,795

If we were to sell a vessel or hold a vessel for sale, and the carrying value of the vessel were to exceed its fair market value, we would record a loss in the amount of the difference.

#### Deferred drydocking costs

Our vessels are required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are operating. We capitalize the costs associated with drydockings as they occur and amortize these costs on a straight-line basis over the period between drydockings. Deferred drydocking costs include actual costs incurred at the drydock yard; cost of travel, lodging and subsistence of our personnel sent to the drydocking site to supervise; and the cost of hiring a third party to oversee the drydocking. We believe that these criteria are consistent with U.S. GAAP guidelines and industry practice and that our policy of capitalization reflects the economics and market values of the vessels. Costs that are not related to drydocking are expensed as incurred. If the vessel is drydocked earlier than originally anticipated, any remaining deferred drydock costs that have not been amortized are expensed at the end of the next drydock.

#### Impairment of long-lived assets

We follow the FASB Accounting Standards Codification ( ASC ) subtopic 360-10, Property, Plant and Equipment ( ASC 360-10 ) which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. If indicators of impairment are present, we perform an analysis of the anticipated undiscounted future net cash flows to be derived from the related long-lived assets.

The current economic and market conditions, including the significant disruptions in the global credit markets, are having broad effects on participants in a wide variety of industries. Since mid-August 2008, the charter rates in the dry bulk charter market have declined significantly, and drybulk vessel values have also declined both as a result of a slowdown in the availability of global credit and the significant deterioration in charter rates.

When indicators of impairment are present and our estimate of undiscounted future cash flows for any vessel is lower than the vessel's carrying value, the carrying value is written down, by recording a charge to operations, to the vessel's fair market value if the fair market value is lower than the vessel's carrying value.

We determined that as of December 31, 2014, the future income streams expected to be earned by such vessels over their remaining operating lives on an undiscounted basis would be sufficient to recover their carrying values. Our estimated future undiscounted cash flows exceeded each of our vessels' carrying values by a considerable margin (approximately 143% - 551% of carrying value). Our vessels remain fully utilized and have a relatively long average remaining useful life of approximately 16.4 years in which to recover sufficient cash flows on an undiscounted basis to recover their carrying values as of December 31, 2014. Management will continue to monitor developments in charter rates in the markets in which it participates with respect to the expectation of future rates over an extended period of time that are utilized in the analyses.

In developing estimates of future undiscounted cash flows, we make assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, vessels' operating expenses, vessels' capital expenditures and drydocking requirements, vessels' residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future

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undiscounted cash flows are based on historical trends. Specifically, we utilize the rates currently in effect for the duration of their current time charters, without assuming additional profit sharing. For periods of time where our vessels are not fixed on time charters, we utilize an estimated daily time charter equivalent for our vessels unfixed days based on the most recent ten year historical one year time charter average. Actual equivalent drybulk shipping rates are currently lower than the estimated rate. We believe current rates have been driven by short-term disruptions or seasonal issues as discussed under Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Voyage Revenues.

Of the inputs that the Company uses for its impairment analysis, future time charter rates are the most significant and most volatile. Based on the sensitivity analysis performed by the Company, the Company would record impairment on its vessels for time



charter declines from their most recent ten-year historical one-year time charter averages as follows:

Vessel Class	Percentage Decline from Ten-Year Historical One-Year Time Charter Average at Which Point Impairment Would be Recorded	
	As of December 31, 2014	As of December 31, 2013
Capesize	(62.0)%	(50.6)%
Panamax	(55.6)%	(30.1)%
Ultramax	(53.5)%	
Supramax	(48.3)%	(29.6)%
Handymax	(39.1)%	(44.1)%
Handysize	(29.6)%	(18.0)%

Our time charter equivalent (TCE) rates for our fiscal years ended December 31, 2014 and 2013, respectively, were above or (below) the ten year historical one-year time charter average as of such dates as follows:

Vessel Class	TCE Rates as Compared with Ten-Year Historical One-Year Time Charter Average (as percentage above/(below))	
	As of December 31, 2014	As of December 31, 2013
Capesize	(69.2)%	(69.0)%
Panamax	(69.0)%	(65.9)%
Ultramax	(55.6)%	
Supramax	(61.0)%	(60.1)%
Handymax	(58.2)%	(59.7)%
Handysize	(47.3)%	(46.2)%

The projected net operating cash flows are determined by considering the future charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days over the estimated remaining life of the vessel, assumed to be 25 years from the delivery of the vessel from the shipyard, reduced by brokerage commissions, expected outflows for vessels' maintenance and vessel operating expenses (including planned drydocking and special survey expenditures) and capital expenditures adjusted annually for inflation, assuming fleet utilization of 98%. The salvage value used in the impairment test is estimated to be \$310 per light weight ton, consistent with our vessels' depreciation policy discussed above.

Although we believe that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to how long charter rates and vessel values will remain at their currently low levels or whether they will improve by any significant degree. Charter rates may remain at depressed levels for some time, which could adversely affect our revenue and profitability, and future assessments of vessel impairment.

#### Investments

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We hold an investment in the capital stock of Jinhui Shipping and Transportation Limited ( Jinhui ). Jinhui is a drybulk shipping owner and operator focused on the Supramax segment of drybulk shipping. We also hold an investment in the stock of Korea Line Corporation ( KLC ). KLC is a marine transportation service company which operates a fleet of carriers which includes carriers for iron ore, liquefied natural gas and tankers for oil and petroleum products. These investments are designated as available-for-sale and are reported at fair value, with unrealized gains and losses recorded in shareholders' equity as a component of AOCI. We classify the investment as a current or noncurrent asset based on our intent to hold the investment at each reporting date.

Investments are reviewed quarterly to identify possible other-than-temporary impairment in accordance with ASC Subtopic 320-10, Investments Debt and Equity Securities ( ASC 320-10 ). When evaluating the investments, we review factors such as the length of time and extent to which fair value has been below the cost basis, the financial condition of the issuer, the underlying net asset value of the issuer's assets and liabilities, and our ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value. Should the decline in the value of any investment be deemed to be other-than-

temporary, the investment basis would be written down to fair market value, and the write-down would be recorded to earnings as a loss. Investments that are not expected to be sold within the next year are classified as noncurrent.

We will continue to evaluate our investments on a quarterly basis to determine the likelihood of any further significant adverse effects on the fair value and amount of any impairment. In the event we determine that the Jinhui or KLC investments are subject to any other-than-temporary impairment, the amount of the impairment would be reclassified from the consolidated statement of equity and recorded as a loss in the consolidated statement of operations for the amount of the impairment.

#### Fair value of financial instruments

The estimated fair values of our financial instruments such as amounts due to / due from charterers, accounts payable and long-term debt, approximate their individual carrying amounts as of December 31, 2014 and December 31, 2013 due to their short-term maturity or the variable-rate nature of the respective borrowings under the credit facilities.

The fair value of the interest rate swap for the Predecessor Company was the estimated amount we would receive to terminate these agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty for assets and creditworthiness of us for liabilities. See Note 14 - Fair Value of Financial Instruments in our consolidated financial statements for additional disclosure on the fair values of long term debt, derivative instruments, 2010 Notes and available-for-sale securities.

For the interest rate swaps that are not designated as an effective hedge, the change in the value and the rate differential to be paid or received is recognized as other expense and is listed as a component of other (expense) income.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Interest rate risk**

We are exposed to the impact of interest rate changes. Our objective is to manage the impact of interest rate changes on our earnings and cash flow in relation to our borrowings. We held four interest rate swap agreements with DnB Bank ASA at December 31, 2013 to manage future interest costs and the risk associated with changing interest rates. The total notional principal amount of the swaps was \$306.2 million and the swaps had specified rates and durations. Refer to the table in Note 12 Interest Rate Swap Agreements of our consolidated financial statements which summarizes the interest rate swaps in place as of December 31, 2013

As of March 31, 2014, we were in default under covenants of our 2007 Credit Facility due to the default on the scheduled debt amortization payment due on March 31, 2014. The default under the 2007 Credit Facility required us to elect interest periods of only one-month, therefore we no longer qualified for hedge accounting under the original designation and hedge accounting was terminated effective March 31, 2014. Additionally, the filing of the Chapter 11 Cases on the Petition Date constituted an event of default with respect to the outstanding interest rate swap with DNB Bank ASA. As a result, DNB Bank ASA terminated all transactions under the remaining swap agreement effective April 30,

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2014 and issued a secured claim with the Bankruptcy Court of \$5.6 million. The interest rate swap was settled on the Effective Date upon our emergence from bankruptcy. This liability was paid by the Successor Company during the period from July 9 to December 31, 2014. Refer to Note 12 Interest Rate Swap Agreements for additional information.

The swap agreements outstanding as of December 31, 2013 synthetically converted variable rate debt to fixed rate debt at the fixed interest rate of swap plus the applicable margin of 3.00%.

The total liability associated with the swaps at December 31, 2013 was \$7.0 million and is presented as the Fair value of derivative instruments on the consolidated balance sheet. As of December 31, 2013, we had accumulated other comprehensive income (loss) ( AOCI ) of (\$7.0) million. The interest rate swap that was terminated April 30, 2014 as mentioned above was not hedged as cash flow hedge accounting was discontinued beginning on March 31, 2013 as a result of the default under the 2007 Credit Facility (see above). Once cash flow hedge accounting was discontinued, the changes in the fair value of the interest rate swaps were recorded in the consolidated statement of operations in Interest expense and the remaining amounts included in AOCI are amortized to interest expense over the original term of the hedging relationship. Hedge ineffectiveness associated with the interest rate swaps resulted in a minimal amount of other income (expense) during the year ended December 31, 2013 and there was no hedge ineffectiveness during the year ended December 31, 2014.

We are subject to market risks relating to changes in LIBOR rates because we have significant amounts of floating rate debt outstanding. For the 2007 Credit Facility, which was terminated on the Effective Date pursuant to the Plan, we were subject to a facility fee of 2.00% per annum on the average daily outstanding principal amount of the outstanding loan under the 2007 Credit

Facility pursuant to the amendment entered into with our lenders under this facility which was reduced to 1.00% on February 28, 2012 when we consummated an equity offering resulting in gross proceeds of \$53.3 million. Additionally, effective August 1, 2012, the applicable margin over LIBOR for the 2007 Credit Facility increased from 2.00% to 3.00% pursuant to the August 2012 Agreements. Refer to Note 10 Debt in our consolidated financial statements for further information regarding these amendments. Additionally, during the period from January 1 to July 9, 2014, the Effective Date, we paid LIBOR plus 3.00% on the outstanding debt under the \$100 Million Term Loan Facility and \$253 Million Term Loan Facility. Pursuant to the amendments to these facilities which were effective on the Effective Date of the Plan, the margin was increased from 3.00% to 3.50% for the period from July 9 to December 31, 2014. Additionally, we paid LIBOR plus 3.00% on the outstanding debt under the 2010 Baltic Trading Credit Facility as well as three-month LIBOR plus 3.35% on the outstanding debt under the Baltic Trading \$22 Million Term Loan Facility and the \$44 Million Term Loan Facility. Lastly, we paid three-month LIBOR plus 2.50% on the outstanding debt under the 2014 Baltic Trading Term Loan Facilities. A 1% increase in LIBOR would result in an increase of \$8.8 million in interest expense for the year ended December 31, 2014, considering the increase would be only on the unhedged portion of the debt. For any unpaid loan payments due under the \$100 Million Term Loan Facility and the \$253 Million Term Loan Facility during the bankruptcy period, the Company incurred an additional 2.00% default interest only on the unpaid loan amounts due during the bankruptcy period.

### Derivative financial instruments

As of March 31, 2014, we were in default under covenants of our 2007 Credit Facility due to the default on the scheduled debt amortization payment due on March 31, 2014. The default under the 2007 Credit Facility required us to elect interest periods of only one month. Therefore, we no longer qualified for hedge accounting under the original designation and hedge accounting was terminated effective March 31, 2014. Additionally, the filing of the Chapter 11 Cases on the Petition Date constituted an event of default with respect to the outstanding interest rate swap with DNB Bank ASA. As a result, DNB Bank ASA terminated all transactions under the remaining swap agreement effective April 30, 2014 and made a secured claim with the Bankruptcy Court of \$5.6 million. The interest rate swap was settled on the Effective Date upon our emergence from bankruptcy. This liability was paid by the Successor Company during the period from July 9 to December 31, 2014. Refer to Note 12 Interest Rate Swap Agreements for additional information.

As of December 31, 2013 we held four interest rate swap agreements with DnB Bank ASA to manage interest costs and the risk associated with changing interest rates. The total notional principal amount of the swaps is \$306.2 million and the swaps have specified rates and durations. Three swaps expired during the three months ended March 31, 2014. Refer to the table in Note 12 Interest Rate Swap Agreements of our consolidated financial statements, which summarizes the interest rate swaps in place as of December 31, 2013.

The differential to be paid or received for these swap agreements is recognized as an adjustment to interest expense as incurred. The interest rate differential pertaining to the interest rate swaps for the years ended December 31, 2014 and 2013 was \$2.6 million and \$10.0 million, respectively. We were utilizing cash flow hedge accounting for the swaps whereby the effective portion of the change in value of the swaps is reflected as a component of AOCI until March 31, 2014. The ineffective portion was recognized as other (expense) income, which is a component of other (expense) income. If for any period of time we did not designate the swaps for hedge accounting, the change in the value of the swap agreements prior to designation would be recognized as other (expense) income.

Amounts receivable or payable arising at the settlement of hedged interest rate swaps are deferred and amortized as an adjustment to interest expense over the period of interest rate exposure provided the designated liability continues to exist. Amounts receivable or payable arising at the settlement of unhedged interest rate swaps are reflected as other (expense) income and are listed as a component of other (expense) income.

Refer to the Interest rate risk section above for further information regarding the interest rate swap agreements.

**Currency and exchange rate risk**

The international shipping industry's functional currency is the U.S. Dollar. Virtually all of our revenues and most of our operating costs are in U.S. Dollars. We incur certain operating expenses in currencies other than the U.S. Dollar, and the foreign exchange risk associated with these operating expenses is immaterial.

As part of our business strategy, in the future, we may enter into short-term forward currency contracts to protect ourselves from the risk arising from the fluctuation in the exchange rate associated with the cost basis of Jinhui shares.

Investments

At December 31, 2014, we hold investments in Jinhui with a carrying amount of \$26.4 million and investments in KLC with

a carrying amount of \$0.1 million, both of which are classified as available for sale ( AFS ) under FASB Accounting Standards Codification 320-10, Investments Debt and Equity Securities ( ASC 320-10 ). These investments are classified as a current or noncurrent asset based on our intent to hold the investment at each reporting date. The investments that are classified as AFS are subject to risk of changes in market value, which if determined to be impaired (other than temporarily impaired), could result in realized impairment losses. We review the carrying value of such investments on a quarterly basis to determine if any valuation adjustments are appropriate under ASC 320-10. We will continue to evaluate our investment in Jinhui and KLC on a quarterly basis to determine the likelihood of any further significant adverse effects on the fair value and amount of any impairment. As a result of the adoption of fresh-start reporting on the Effective Date, we revalued these investments so that the new cost basis going forward is the fair market value on the Effective Date with the revaluation adjustments being recorded in Reorganization items, net. For the years ended December 31, 2014 and 2013, we have not deemed our investment to be impaired. In the event we determine that the Jinhui or KLC investment are subject to any impairment, the amount of the impairment would be reclassified from AOCI and recorded as a loss in the Consolidated Statement of Operations for the amount of the impairment.

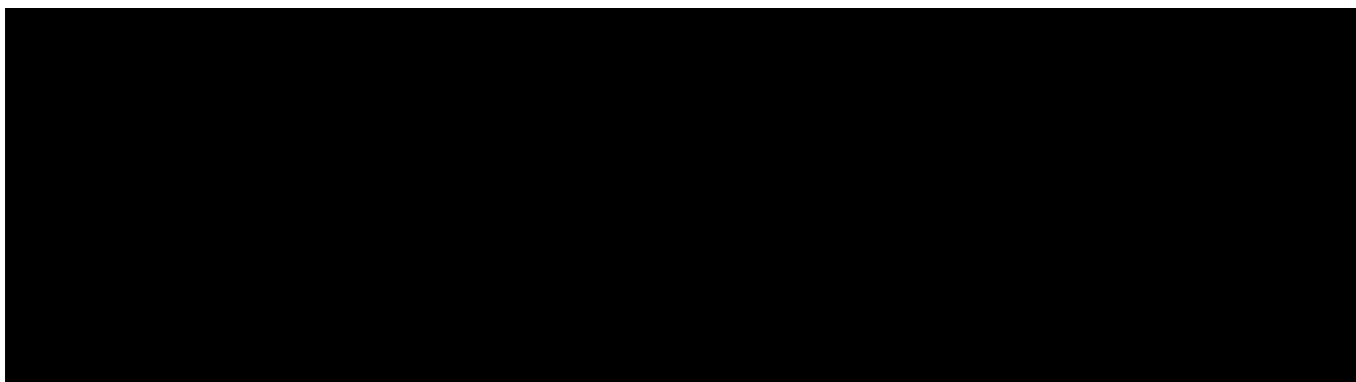
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

**Genco Shipping & Trading Limited**

Consolidated Financial Statements

Index to Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Genco Shipping & Trading Limited

New York, New York

We have audited the accompanying consolidated balance sheets of Genco Shipping & Trading Limited and subsidiaries (the Company) as of December 31, 2014 (the Successor Company consolidated balance sheet) and 2013 (the Predecessor Company consolidated balance sheet), and the related consolidated statements of operations, comprehensive (loss) income, equity, and cash flows for the period from July 9, 2014 through December 31, 2014 (the Successor Company operations and cash flows), and for the period from January 1, 2014 through July 9, 2014, and each of the two years in the period ended December 31, 2013 (the Predecessor Company operations and cash flows). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, on July 2, 2014, the Company emerged from Chapter 11 of the Bankruptcy Code pursuant to the terms of a reorganization plan (the Plan) that was approved by the bankruptcy court and declared effective as of July 9, 2014. The terms of the Plan resulted in a series of financial restructuring transactions for the Company and a change in its control, which met the criteria in Accounting Standards Codification (ASC) Topic 852, *Reorganizations*, for the Company to apply fresh-start accounting in conformity with the requirements of ASC Topic 852. Accordingly, the Successor Company financial information in the accompanying consolidated financial statements has carrying values not comparable with prior periods presented.

In our opinion, the Successor Company consolidated financial statements present fairly, in all material respects, the financial position of Genco Shipping & Trading Limited and subsidiaries as of December 31, 2014, and the results of their operations and their cash flows for the period from July 9, 2014 through December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Further, in our opinion, the Predecessor Company consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Predecessor Company as of December 31, 2013, and the results of their operations and their cash flows for the period from January 1, 2014 through July 9, 2014, and for each of the two years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

New York, New York  
March 2, 2015

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## Genco Shipping &amp; Trading Limited

Consolidated Balance Sheets as of December 31, 2014 and December 31, 2013

(U.S. Dollars in thousands, except for share and per share data)

	Successor December 31, 2014	Predecessor December 31, 2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 83,414	\$ 122,722
Restricted cash	9,750	9,850
Due from charterers, net	14,739	14,241
Prepaid expenses and other current assets	22,423	19,065
Total current assets	130,326	165,878
Noncurrent assets:		
Vessels, net of accumulated depreciation of \$36,258 and \$730,662, respectively	1,532,843	2,673,795
Deposits on vessels	25,593	1,013
Deferred drydock, net of accumulated amortization of \$330 and \$11,107, respectively	6,234	11,069
Deferred financing costs, net of accumulated amortization of \$729 and \$22,279, respectively	10,271	22,011
Fixed assets, net of accumulated depreciation and amortization of \$119 and \$3,438, respectively	701	5,104
Other noncurrent assets	514	514
Restricted cash	19,945	300
Investments	26,486	77,570
Total noncurrent assets	1,622,587	2,791,376
Total assets	\$ 1,752,913	\$ 2,957,254
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 28,217	\$ 27,359
Current portion of long-term debt	34,324	1,316,439
Current interest payable		13,199
Convertible senior note payable		115,881
Deferred revenue	1,397	1,597
Current portion of lease obligations		176
Fair value of derivative instruments		6,975
Total current liabilities:	63,938	1,481,626
Noncurrent liabilities:		
Long-term lease obligations	390	3,114
Time charters acquired		84
Long-term debt	395,811	163,625
Total noncurrent liabilities	396,201	166,823
Total liabilities	460,139	1,648,449
Commitments and contingencies		
Equity:		
Genco Shipping & Trading Limited shareholders' equity:		
Predecessor Company common stock, par value \$0.01; 100,000,000 shares authorized; 44,449,407 shares issued and outstanding at December 31, 2013		445

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Predecessor Company additional paid-in capital		846,658
Successor Company common stock, par value \$0.01; 250,000,000 shares authorized; 61,541,389 shares issued and outstanding at December 31, 2014	615	
Successor Company additional paid-in capital	1,251,197	
Accumulated other comprehensive (loss) income	(25,317)	53,722
Retained (deficit) earnings	(204,117)	66,644
Total Genco Shipping & Trading Limited shareholders' equity	1,022,378	967,469
Noncontrolling interest	270,396	341,336
Total equity	1,292,774	1,308,805
Total liabilities and equity	\$ 1,752,913	\$ 2,957,254

See accompanying notes to consolidated financial statements.

**Genco Shipping & Trading Limited**

## Consolidated Statements of Operations

(U.S. Dollars in Thousands, Except for Earnings Per Share and Share Data)

	Successor		Predecessor	
	Period from	Period from	Year Ended December 31,	
	July 9 to	January 1 to	2013	2012
	December 31,	July 9,		
	2014	2014		
<b>Revenues:</b>				
Voyage revenues	\$ 98,817	\$ 118,759	\$ 224,179	\$ 223,159
Service revenues	1,584	1,701	3,285	3,294
<b>Total revenues</b>	<b>100,401</b>	<b>120,460</b>	<b>227,464</b>	<b>226,453</b>
<b>Operating expenses:</b>				
Voyage expenses	7,525	4,140	8,046	7,009
Vessel operating expenses	56,943	64,670	111,671	114,318
General, administrative and management fees	36,915	31,371	34,031	35,673
Depreciation and amortization	36,714	75,952	140,743	139,063
Other operating income	(530)		(121)	(265)
Goodwill impairment	166,067			
<b>Total operating expenses</b>	<b>303,634</b>	<b>176,133</b>	<b>294,370</b>	<b>295,798</b>
<b>Operating loss</b>	<b>(203,233)</b>	<b>(55,673)</b>	<b>(66,906)</b>	<b>(69,345)</b>
<b>Other (expense) income:</b>				
Other income (expense)	36	(106)	(76)	(29)
Interest income	46	45	75	378
Interest expense	(7,620)	(41,061)	(88,216)	(87,558)
Other expense	(7,538)	(41,122)	(88,217)	(87,209)
<b>Loss before reorganization items, net</b>	<b>(210,771)</b>	<b>(96,795)</b>	<b>(155,123)</b>	<b>(156,554)</b>
<b>Reorganization items, net</b>	<b>(1,591)</b>	<b>882,167</b>		
<b>(Loss) income before income taxes</b>	<b>(212,362)</b>	<b>785,372</b>	<b>(155,123)</b>	<b>(156,554)</b>
<b>Income tax expense</b>	<b>(996)</b>	<b>(815)</b>	<b>(1,898)</b>	<b>(1,222)</b>
<b>Net (loss) income</b>	<b>(213,358)</b>	<b>784,557</b>	<b>(157,021)</b>	<b>(157,776)</b>
<b>Less: Net loss attributable to noncontrolling interest</b>	<b>(9,241)</b>	<b>(8,734)</b>	<b>(9,280)</b>	<b>(12,848)</b>
<b>Net (loss) income attributable to Genco Shipping &amp; Trading Limited</b>	<b>\$ (204,117)</b>	<b>\$ 793,291</b>	<b>\$ (147,741)</b>	<b>\$ (144,928)</b>
<b>Net (loss) income per share-basic</b>	<b>\$ (3.38)</b>	<b>\$ 18.21</b>	<b>\$ (3.42)</b>	<b>\$ (3.47)</b>
<b>Net (loss) income per share-diluted</b>	<b>\$ (3.38)</b>	<b>\$ 18.21</b>	<b>\$ (3.42)</b>	<b>\$ (3.47)</b>
<b>Weighted average common shares outstanding-basic</b>	<b>60,360,515</b>	<b>43,568,942</b>	<b>43,249,070</b>	<b>41,727,075</b>
<b>Weighted average common shares outstanding-diluted</b>	<b>60,360,515</b>	<b>43,568,942</b>	<b>43,249,070</b>	<b>41,727,075</b>
<b>Dividends declared per share</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

See accompanying notes to consolidated financial statements.

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**Genco Shipping & Trading Limited**

## Consolidated Statements of Comprehensive (Loss) Income

(U.S. Dollars in Thousands)

	Successor		Predecessor	
	Period from	Period from	Year Ended December 31,	
	July 9 to	January 1 to	2013	2012
	December 31,	July 9,		
	2014	2014		
Net (loss) income	\$ (213,358)	\$ 784,557	\$ (157,021)	\$ (157,776)
Change in unrealized (loss) gain on investments	(25,317)	(25,766)	56,482	(3,480)
Unrealized gain on cash flow hedges, net		2,401	9,081	9,188
Other comprehensive (loss) income	(25,317)	(23,365)	65,563	5,708
Comprehensive (loss) income	(238,675)	761,192	(91,458)	(152,068)
Less: Comprehensive loss attributable to noncontrolling interest	(9,241)	(8,734)	(9,280)	(12,848)
Comprehensive (loss) income attributable to Genco Shipping & Trading Limited	\$ (229,434)	\$ 769,926	\$ (82,178)	\$ (139,220)

See accompanying notes to consolidated financial statements.

## Genco Shipping &amp; Trading Limited

## Consolidated Statements of Equity

(U.S. Dollars in Thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained (Deficit) Earnings	Genco Shipping & Trading & Limited Shareholders Equity	Noncontrolling Interest	Total Equity
Balance January 1, 2012 (Predecessor)	\$ 363	\$ 809,443	\$ (17,549)	\$ 359,349	\$ 1,151,606	\$ 210,012	\$ 1,361,618
Net loss				(144,928)	(144,928)	(12,848)	(157,776)
Change in unrealized gain on investments			(3,480)		(3,480)		(3,480)
Unrealized gain on cash flow hedges, net			9,188		9,188		9,188
Issuance of 7,500,000 shares of common stock	75	49,799			49,874		49,874
Issuance of 464,175 shares of nonvested stock, less forfeitures of 1,500 shares	5	(5)					
Nonvested stock amortization		4,087			4,087	1,777	5,864
Cash dividends paid by Baltic Trading Limited				(30)	(30)	(4,051)	(4,081)
Vesting of restricted shares issued by Baltic Trading Limited		(21)			(21)	21	
Balance December 31, 2012 (Predecessor)	\$ 443	\$ 863,303	\$ (11,841)	\$ 214,391	\$ 1,066,296	\$ 194,911	\$ 1,261,207
Net loss				(147,741)	(147,741)	(9,280)	(157,021)
Change in unrealized gain on investments			56,482		56,482		56,482
Unrealized gain on cash flow hedges, net			9,081		9,081		9,081
Issuance of 200,634 shares of nonvested stock, less forfeitures of 21,500 shares	2	(2)					
Nonvested stock amortization		2,924			2,924	1,558	4,482
Issuance of common stock of Baltic Trading Limited		(19,532)			(19,532)	155,695	136,163
Cash dividends paid by Baltic Trading Limited				(6)	(6)	(1,583)	(1,589)
Vesting of restricted shares issued by Baltic Trading Limited		(35)			(35)	35	
Balance December 31, 2013 (Predecessor)	\$ 445	\$ 846,658	\$ 53,722	\$ 66,644	\$ 967,469	\$ 341,336	\$ 1,308,805



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Net loss, exclusive of net gain from fresh-start adjustments		(124,107)	(124,107)	(8,734)	(132,841)
Unrealized loss on investments	(25,766)		(25,766)		(25,766)
Unrealized gain on cash flow hedges, net	2,401		2,401		2,401
Nonvested stock amortization	2,403		2,403	1,949	4,352
Cash dividends paid by Baltic Trading Limited	(5)		(5)	(2,041)	(2,046)

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Vesting of restricted shares issued by Baltic Trading Limited		74		74		(74)		
Subtotal July 9, 2014 (Predecessor)	\$	445	\$ 849,130	\$ 30,357	\$ (57,463)	\$ 822,469	\$ 332,436	\$ 1,154,905
Net gain from fresh-start adjustments (see Note 21)				917,399		917,399		917,399
Balance July 9, 2014 (Predecessor)	\$	445	\$ 849,130	\$ 30,357	\$ 859,936	\$ 1,739,868	\$ 332,436	\$ 2,072,304
Fresh-start adjustments:								
Cancellation of Predecessor common stock		(445)	(849,130)			(849,575)		(849,575)
Elimination of Predecessor accumulated deficit and accumulated other comprehensive income				(30,357)	(859,936)	(890,293)		(890,293)
Elimination of Predecessor non-controlling interest							(332,436)	(332,436)
Issuance of new equity interest in connection with emergence from Chapter 11, including the \$100 Million Rights Offering		603	1,232,397			1,233,000		1,233,000
Revaluation of non-controlling interest							279,069	279,069
Balance July 9, 2014 (Successor)	\$	603	\$ 1,232,397	\$	\$	\$ 1,233,000	\$ 279,069	\$ 1,512,069
Net loss					(204,117)	(204,117)	(9,241)	(213,358)
Unrealized loss on investments				(25,317)		(25,317)		(25,317)
Issuance of 131,017 shares of common stock		1	(1)					
Issuance of 1,110,600 shares of nonvested stock		11	(11)					
Nonvested stock amortization			18,854			18,854	1,551	20,405
Cash dividends paid by Baltic Trading Limited			(3)			(3)	(1,022)	(1,025)
Vesting of restricted shares issued by Baltic Trading Limited			(39)			(39)	39	
Balance December 31, 2014 (Successor)	\$	615	\$ 1,251,197	\$ (25,317)	\$ (204,117)	\$ 1,022,378	\$ 270,396	\$ 1,292,774

See accompanying notes to consolidated financial statements.

## Genco Shipping &amp; Trading Limited

## Consolidated Statements of Cash Flows

(U.S. Dollars in Thousands)

	Successor Period from July 9 to December 31, 2014	Period from January 1 to July 9, 2014	Predecessor  Year Ended December 31, 2013                      2012	
Cash flows from operating activities:				
Net (loss) income	\$ (213,358)	\$ 784,557	\$ (157,021)	\$ (157,776)
Adjustments to reconcile net (loss) income to net cash used in operating activities:				
Non-cash reorganization items and fresh-start reporting adjustments, net				
		(917,399)		
Goodwill impairment	166,067			
Depreciation and amortization	36,714	75,952	140,743	139,063
Amortization of deferred financing costs	845	4,461	9,116	5,413
Amortization of time charters acquired	450	(68)	(334)	(746)
Amortization of discount on Convertible Senior Notes		1,592	4,963	4,537
Receipt of stock in lieu of cash payment			(100)	
Interest expense related to the de-designation of the interest rate swap		1,048		
Unrealized loss (gain) on derivative instruments			4	(100)
Amortization of nonvested stock compensation expense	20,405	4,352	4,482	5,864
Change in assets and liabilities:				
(Increase) decrease in due from charterers	(1,545)	1,047	(2,527)	1,974
Decrease (increase) in prepaid expenses and other current assets	8,343	(11,735)	(919)	(437)
(Decrease) increase in accounts payable and accrued expenses	(39,170)	32,534	2,765	(4,880)
Increase (decrease) in deferred revenue	400	(600)	273	(2,903)
Increase in lease obligations	390	195	143	1,324
Deferred drydock costs incurred	(6,376)	(9,253)	(4,732)	(10,167)
Net cash used in operating activities	(26,835)	(33,317)	(3,144)	(18,834)
Cash flows from investing activities:				
Purchase of vessels, including deposits	(24,473)	(29,995)	(145,350)	(1,155)
Purchase of other fixed assets	(208)	(415)	(1,205)	(2,114)
Changes in deposits of restricted cash	(19,420)	(125)		(400)
Net cash used in investing activities	(44,101)	(30,535)	(146,555)	(3,669)
Cash flows from financing activities:				
Repayments on the 2007 Credit Facility				(118,588)
Repayments on the \$100 Million Term Loan Facility	(3,846)	(3,846)		(15,385)
Repayments on the \$253 Million Term Loan Facility	(5,075)	(10,150)		(40,600)
Proceeds on the 2010 Baltic Trading Credit Facility			1,000	
Proceeds from the Baltic Trading \$22 Million Term Loan Facility			22,000	
Repayments on the Baltic Trading \$22 Million Term Loan Facility	(750)	(750)	(375)	
Proceeds from the Baltic Trading \$44 Million Term Loan Facility			44,000	

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Repayments on the Baltic Trading \$44 Million Term Loan Facility	(1,375)	(1,375)		
Proceeds from the 2014 Baltic Trading Term Loan Facilities	33,150			
Payment of dividend by subsidiary	(1,025)	(2,046)	(1,589)	(4,081)
Cash settlement of non-accredited Note holders	(484)			
Proceeds from Rights Offering		100,000		
Proceeds from issuance of common stock				50,721
Payment of common stock issuance costs				(847)
Proceeds from issuance of common stock by subsidiary			136,980	
Payment of common stock issuance costs by subsidiary		(111)	(706)	
Payment of deferred financing costs	(2,322)	(4,515)	(1,489)	(4,085)
Net cash provided by (used in) financing activities	18,273	77,207	199,821	(132,865)
Net (decrease) increase in cash and cash equivalents	(52,663)	13,355	50,122	(155,368)
Cash and cash equivalents at beginning of period	136,077	122,722	72,600	227,968
Cash and cash equivalents at end of period	\$ 83,414	\$ 136,077	\$ 122,722	\$ 72,600

See accompanying notes to consolidated financial statements.

**Genco Shipping & Trading Limited**

(U.S. Dollars in Thousands)

Notes to Consolidated Financial Statements

1 - GENERAL INFORMATION

The accompanying consolidated financial statements include the accounts of Genco Shipping & Trading Limited ( GS&T ), its wholly-owned subsidiaries, and its subsidiary, Baltic Trading Limited (collectively, the Company ). The Company is engaged in the ocean transportation of drybulk cargoes worldwide through the ownership and operation of drybulk carrier vessels. GS&T is incorporated under the laws of the Marshall Islands and as of December 31, 2014, is the sole owner of all of the outstanding shares of the following subsidiaries: Genco Ship Management LLC; Genco Investments LLC; Genco RE Investments LLC; and the ship-owning subsidiaries as set forth below. As of December 31, 2014, Genco Ship Management LLC is the sole owner of all of the outstanding shares of Genco Management (USA) Limited.

Bankruptcy Filing

On April 21, 2014 (the Petition Date ), GS&T and its subsidiaries other than Baltic Trading Limited and its subsidiaries (collectively, the Debtors ) filed voluntary petitions for relief (the Chapter 11 Cases ) under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code ) in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court ). The Debtors continued to operate their businesses in the ordinary course as debtors-in-possession under the jurisdiction of the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. Through the Chapter 11 Cases, the Debtors implemented a Prepackaged Plan of Reorganization of the Debtors Pursuant to Chapter 11 of the Bankruptcy Code (the Prepack Plan ) for which the Company solicited votes from certain classes of its creditors prior to commencement of the Chapter 11 Cases in accordance with the Restructuring Support Agreement that the Debtors entered into with certain of its creditors on April 3, 2014. The Company subsequently emerged from bankruptcy on July 9, 2014.

The filing of the Chapter 11 Cases constituted an event of default with respect to each of the following agreements or instruments:

- the Credit Agreement, dated as of July 20, 2007 (as amended to date), by and among the Company as borrower, the banks and other financial institutions named therein as lenders, Wilmington Trust, N.A., as successor administrative and collateral agent, and the other parties thereto, relating to approximately \$1,055,912 of principal plus accrued and unpaid interest, fees, costs, and other expenses (the 2007 Credit Facility );
- the Loan Agreement, dated as of August 20, 2010 (as amended to date), by and among the Company as borrower, Genco Aquitaine Limited and the other subsidiaries of the Company named therein as guarantors, the banks and financial institutions named therein as lenders, BNP Paribas, Credit Agricole Corporate and Investment Bank, DVB Bank SE, Deutsche Bank AG Filiale Deutschlandgesellschaft, Skandinaviska Enskilda Banken AB (publ) as mandated lead arrangers, BNP Paribas, Credit Agricole Corporate and Investment Bank, DVB Bank SE, Deutsche Bank AG, Skandinaviska Enskilda Banken AB (publ) as swap providers, and Deutsche Bank Luxembourg S.A. as agent for the lenders and the assignee, relating to approximately \$175,718 of principal and accrued and unpaid interest, fees, costs, and other expenses (the \$253 Million Term Loan Facility );

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- the Loan Agreement, dated as of August 12, 2010 (as amended to date), by and among the Company as borrower, Genco Ocean Limited and the other subsidiaries of the Company named therein as guarantors, the banks and financial institutions named therein as lenders, and Credit Agricole Corporate and Investment Bank as agent and security trustee, relating to approximately \$73,561 of principal plus accrued and unpaid interest, fees, costs, and other expenses (the \$100 Million Term Loan Facility );
- the Indenture and First Supplemental Indenture relating to \$125,000 of principal plus accrued and unpaid interest outstanding of the Company s 5.00% Convertible Senior Notes (the 2010 Notes ) due August 15, 2015 (the Indenture ); and
- the outstanding interest rate swap with DNB Bank ASA, relating to a liability position of \$5,622.

As a result of the filing of the Chapter 11 Cases, all indebtedness outstanding under the 2007 Credit Facility and the Indenture was accelerated and became due and payable, and indebtedness under the other agreements and instruments described above were accelerated and become due and payable upon notice to the Company, subject to an automatic stay of any action to collect,

assert, or recover a claim against the Company or the other Debtors and the application of the applicable provisions of the Bankruptcy Code.

On July 2, 2014, the Bankruptcy Court entered an order (the Confirmation Order), confirming the First Amended Prepackaged Plan of Reorganization of the Debtors Pursuant to Chapter 11 of the Bankruptcy Code (the Plan). Capitalized terms used but not defined below shall have the meanings given to them in the Plan. On July 9, 2014 (the Effective Date), the Debtors completed their financial restructuring and emerged from Chapter 11 through a series of transactions contemplated by the Plan, and the Plan became effective pursuant to its terms. References to Successor Company refer to the Company after July 9, 2014, after giving effect to the application of fresh-start reporting (see Financial Statement Presentation section below). References to Predecessor Company refer to the Company prior to July 9, 2014.

Key components of the Plan included:

- The conversion of 100% of the Claims under the 2007 Credit Facility into 81.1% of the Successor Company Common Stock (subject to dilution by the warrants issued under the Plan). On the Effective Date, the 2007 Credit Facility was terminated, and the liens and mortgages thereunder were released. Refer to Note 10 Debt for further information.
- The conversion of 100% of the Claims under the 2010 Notes into 8.4% of the Successor Company Common Stock (subject to dilution by the warrants issued under the Plan). On the Effective Date, the 2010 Notes and the Indenture were fully satisfied and discharged. Refer to Note 11 Convertible Senior Notes for further information.
- A fully backstopped Rights Offering for approximately 8.7% of the Successor Company Common Stock, in which holders of 2007 Credit Facility Claims were entitled to subscribe for up to 80% of the Successor Company Common Stock offered, and holders of the 2010 Notes Claims were entitled to subscribe for up to 20% of the Successor Company Common Stock being offered under the Rights Offering for an aggregate subscription price of \$100,000.
- The amendment and restatement of the \$253 Million Term Loan Facility and the \$100 Million Term Loan Facility as of the Effective Date, with extended maturities, a financial covenant holiday and certain other amendments, as discussed further in Note 10 - Debt.
- The cancellation of the common stock of the Predecessor Company as of the Effective Date, with the holders thereof receiving warrants to acquire shares of the Successor Company Common Stock. Each of the Successor Company's Equity Warrants is exercisable for one share of the Successor Company's Common Stock, and holders received an aggregate of 3,938,298 of the Successor Company's Equity Warrants for the common stock of the Predecessor Company. The Successor Company's Equity Warrants in the aggregate are exercisable for approximately 6% of the Successor Company Common Stock (subject to dilution).
- Reinstatement, non-impairment or payment in full in the ordinary course of business during the pendency of the Chapter 11 Cases of all Allowed General Unsecured Claims, including Allowed Claims of trade vendors, suppliers, customers and charterers, per the approval by the Bankruptcy Court.

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- The non-impairment of all other General Unsecured Claims under Section 1124 of the Bankruptcy Code.
- The establishment of the Genco Shipping & Trading Limited 2014 Management Incentive Plan (the "MIP"), which provides for the distribution of the Successor Company's MIP Primary Equity in the form of shares representing 1.8% of the Successor Company's Common Stock and three tiers of the Successor Company's MIP Warrants ("MIP Warrants") with staggered strike prices based on increasing equity values to the participating officers, directors, and other management of the Successor Company. These awards were made on August 7, 2014. Refer to Note 24 "Stock-Based Compensation."

### Registration Rights Agreement

On the Effective Date, the Successor Company and the Registration Rights Parties entered into the Registration Rights Agreement. The Registration Rights Agreement provided the Registration Rights Parties who receive 10% or more of the Successor



Company's Common Stock under the Plan with demand and piggyback registration rights. All other Registration Rights Parties have piggyback registration rights only.

#### Reorganization Value

The Plan as confirmed by the Bankruptcy Court estimated the reorganization value of the Debtors to be \$1.23 billion. This reorganization value was determined by, among other things, vessel appraisals and other valuation methodologies as well as the Debtors' equity interests in Baltic Trading and Jinhui Shipping, \$100,000 of cash invested through the Rights Offering and approximately \$250,000 of debt projected to be on the balance sheet of the Debtors. It also assumed that the Debtors would issue approximately 61.7 million primary shares of New Genco Common Stock valued at \$20.00 per share (prior to dilution) in order to satisfy claims pursuant to the Plan.

The foregoing estimates of the post-confirmation equity value of the Debtors and the share price of New Genco Common Stock were based on a number of assumptions, including no material adverse changes in the spot rate market, no further ship arrests, the continuing employment of the Debtors' vessels, the continuing service revenue from Baltic Trading and MEP, the Rights Offering, and other assumptions. Such valuation assumptions are not a prediction or reflection of post-confirmation trading prices of the Debtors' common stock. Such securities may trade at substantially lower or higher prices because of a number of factors. The trading prices of securities issued under a plan of reorganization are subject to many unforeseen circumstances and therefore cannot be predicted.

#### Successor Company Equity Warrant Agreement

On the Effective Date, pursuant to the Plan, the Successor Company's Equity Warrants totaling 3,938,298 were issued pursuant to the terms of the Successor Company's Equity Warrant Agreement (the "Equity Warrants"). Each of the Equity Warrants has a 7-year term (commencing on the day following the Effective Date) and are exercisable for one share of the Successor Company's Common Stock. The Equity Warrants are exercisable on a cashless basis at an exercise price of \$20.99 per share. The Successor Company's Equity Warrant Agreement contains customary anti-dilution adjustments in the event of any stock split, reverse stock split, stock dividend, reclassification, dividend or other distributions (including, but not limited to, cash dividends), or business combination transaction.

The Equity Warrants were distributed to holders of the common stock of the Predecessor Company, which was cancelled as of the Effective Date. Shares of common stock of the Predecessor Company issued to directors, officers and employees of Genco under compensatory plans that were unvested as of the Effective Date were deemed vested automatically on the Effective Date, so that all Equity Warrants received in exchange were therefore deemed vested. Refer to Note 24 "Stock-Based Compensation" for further information.

#### Financial Statement Presentation

Upon the Company's emergence from the Chapter 11 Cases on July 9, 2014, the Company adopted fresh-start reporting in accordance with provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 852, "Reorganizations" ("ASC 852"). Upon adoption of fresh-start reporting, the Company's assets and liabilities were recorded at their value as of the fresh-start reporting date. The fair values of the Company's assets and liabilities in conformance with ASC 805, "Business Combinations," as of that date differed materially from the recorded values of its assets and liabilities as reflected in its historical consolidated financial statements. In addition, the Company's adoption

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of fresh-start reporting may materially affect its results of operations following the fresh-start reporting dates, as the Company will have a new basis in its assets and liabilities. Consequently, the Company's historical financial statements may not be reliable indicators of its financial condition and results of operations for any period after it adopted fresh-start reporting. As a result of the adoption of fresh-start reporting, the Company's consolidated balance sheets and consolidated statements of operations subsequent to July 9, 2014 will not be comparable in many respects to our consolidated balance sheets and consolidated statements of operations prior to July 9, 2014.

Under ASC 852, fresh-start reporting is required upon emergence from Chapter 11 if (i) the value of the assets of the emerging entity immediately before the date of confirmation is less than the total of all post-petition liabilities and allowed claims; and (ii) holders of existing voting shares immediately before confirmation receive less than 50% of the voting shares of the emerging entity. Accordingly, the Company qualified for and adopted fresh-start reporting as of the Effective Date. Adopting fresh-start reporting results in a new reporting entity with no beginning retained earnings or deficit. The cancellation of all existing shares outstanding on the Effective Date and issuance of new shares of the reorganized entity caused a related change of control of the Company under ASC 852.

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The following fresh-start balance sheet illustrates the financial effects on the Company of the implementation of the Plan and the adoption of fresh-start reporting. This fresh-start balance sheet reflects the effect of the completion of the transactions included in the Plan, including the issuance of equity and the settlement of old indebtedness.

The effects of the Plan and fresh-start reporting on the Company's consolidated balance sheet are as follows:

	Fresh-Start Adjustments				Successor July 9, 2014
	Predecessor July 9, 2014	Debt Discharge and Equity Issuance (a)	Reinstatement of Liabilities (b)	Revaluation of Assets and Liabilities (c)	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 48,551	\$ 87,526	\$	\$	\$ 136,077
Restricted cash	9,975				9,975
Due from charterers, net	13,194				13,194
Prepaid expenses and other current assets	30,800			(41)	30,759
Time charters acquired				450	450
Total current assets	102,520	87,526		409	190,455
Noncurrent assets:					
Vessels, net	2,604,731			(1,065,882)	1,538,849
Deposits on vessels	28,658			2,317	30,975
Deferred drydock, net	16,584			(16,396)	188
Deferred financing costs, net	18,953	(11,893)			7,060
Fixed assets, net	4,053			(3,443)	610
Other noncurrent assets	514				514
Restricted cash	300				300
Investments	51,804				51,804
Goodwill				166,067	166,067
Total noncurrent assets	2,725,597	(11,893)		(917,337)	1,796,367
Total assets	\$ 2,828,117	\$ 75,633	\$	\$ (916,928)	\$ 1,986,822
<b>Liabilities and Equity</b>					
Current liabilities not subject to compromise:					
Accounts payable and accrued expenses	\$ 60,333	\$ (1,086)	\$ 6,478	\$	\$ 65,725
Current portion of long-term debt	4,250		27,992		32,242
Deferred revenue	997				997
Time charters acquired	16			(16)	
Total current liabilities not subject to compromise	65,596	(1,086)	34,470	(16)	98,964
Noncurrent liabilities not subject to compromise:					
Long-term lease obligations	2,670			(2,670)	
Long-term debt	161,500		214,289		375,789
Total noncurrent liabilities not subject to compromises	164,170		214,289	(2,670)	375,789
	1,443,446	(1,194,687)	(248,759)		

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Total liabilities subject to compromise				
Total liabilities	1,673,212	(1,195,773)	(2,686)	474,753
Equity:				
Genco Shipping & Trading Limited shareholders' equity:				
Predecessor Common stock	445	(445)		
Predecessor Additional paid-in capital	849,130	(849,130)		
Successor Common stock		603		603
Successor Additional paid-in capital		1,232,397		1,232,397
Accumulated other comprehensive income	30,357	4,574	(34,931)	
Retained (deficit) earnings	(57,463)	936,774	(879,311)	
Total Genco Shipping & Trading Limited shareholders' equity	822,469	1,324,773	(914,242)	1,233,000
Noncontrolling interest	332,436	(53,367)		279,069
Total equity	1,154,905	1,271,406	(914,242)	1,512,069
Total liabilities and equity	\$ 2,828,117	\$ 75,633	\$ (916,928)	\$ 1,986,822

(a) Debt Discharge and Equity Issuance This column reflects the following adjustments pursuant to the Plan:

- The discharge of the outstanding debt under the 2007 Credit Facility of \$1,055,912.

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- The discharge of the long-term interest payable due pursuant to the 2007 Credit Facility of \$13,199.
- The discharge of the 2010 Notes liability of \$117,473 and the bond coupon interest of \$1,105.
- Receipt of the \$100,000 rights offering pursuant to the Plan.
- The payment of interest expense accrued up until the Effective Date of \$1,772, \$59 and \$156 for the 2007 Credit Facility, the \$100 Million Term Loan Facility and the \$253 Million Term Loan Facility, respectively.
- The paydown on the Effective Date of \$1,923 and \$5,075 for the \$100 Million Term Loan Facility and \$253 Million Term Loan Facility, respectively, which were due on the Effective Date as they were not paid during the pendency of the Chapter 11 Cases.
- The adjustment of net unamortized deferred financing fees of \$15,383 for the 2007 Credit Facility, the 2010 Notes as well as the \$100 Million and \$253 Million Term Loan Facilities prior to the amendments and restatements as per the Plan.
- The payment of deferred financing fees of \$3,490 for the Amended and Restated \$100 Million and \$253 Million Term Loan Facilities.
- Adjustment of equity of \$1,271,406 to adjust for the cancellation of the old equity of the Predecessor Company and the issuance of the new equity for the Successor Company.

(b) **Reinstatement of Liabilities** This column reflects the reinstatement of the remaining Liabilities subject to compromise for the Predecessor Company which were not already adjusted in the Debt Discharge and Equity Issuance column. It includes the following adjustments:

- The reclassification of the debt outstanding under the Amended and Restated \$100 Million Term Loan Facility. This includes \$7,692 of current long-term debt and \$63,946 of long-term debt.
- The reclassification of the debt outstanding under the Amended and Restated \$253 Million Term Loan Facility. This includes \$20,300 of current long-term debt and \$150,343 of long-term debt.

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- The reinstatement of \$5,622 related to the termination of the interest rate swap agreement with DNB Bank ASA.
- The reinstatement of the \$815 lease obligation.
- The reinstatement of \$41 of pre-petition accounts payable due to vendors in the United States.

(c) Revaluation of Assets and Liabilities Fresh-start reporting adjustments are made to reflect asset values at their estimated fair value, including:

- Adjustment of \$179 to prepaid amounts for the Predecessor Company.
- Adjustment to reflect the fair value of time charters acquired of \$434.
- Adjustment of \$1,083,404 to reflect the fair value of vessel assets, vessel deposits, drydocking assets and other fixed assets as of the Effective Date.
- Adjustment of \$2,670 to reflect the fair value of the Company's current lease agreement which was previously recorded as long-term lease obligations. As of the Effective Date, the lease agreement has been valued at below market, therefore we have recorded in Prepaid expenses and other current assets an asset of \$138 which will be amortized over the remaining life of the lease agreement.
- An adjustment of \$166,067 to reflect the reorganization value of the Successor Company in excess of the fair value

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of assets, net of liabilities.

Other General Information

At December 31, 2014, 2013 and 2012, GS&T's fleet consisted of 53 vessels.

Below is the list of GS&T's wholly owned ship-owning subsidiaries as of December 31, 2014:

Wholly Owned Subsidiaries	Vessel Acquired	Dwt	Delivery Date	Year Built
Genco Reliance Limited	Genco Reliance	29,952	12/6/04	1999
Genco Vigour Limited	Genco Vigour	73,941	12/15/04	1999
Genco Explorer Limited	Genco Explorer	29,952	12/17/04	1999
Genco Carrier Limited	Genco Carrier	47,180	12/28/04	1998
Genco Sugar Limited	Genco Sugar	29,952	12/30/04	1998
Genco Pioneer Limited	Genco Pioneer	29,952	1/4/05	1999
Genco Progress Limited	Genco Progress	29,952	1/12/05	1999
Genco Wisdom Limited	Genco Wisdom	47,180	1/13/05	1997
Genco Success Limited	Genco Success	47,186	1/31/05	1997
Genco Beauty Limited	Genco Beauty	73,941	2/7/05	1999
Genco Knight Limited	Genco Knight	73,941	2/16/05	1999
Genco Leader Limited	Genco Leader	73,941	2/16/05	1999
Genco Marine Limited	Genco Marine	45,222	3/29/05	1996
Genco Prosperity Limited	Genco Prosperity	47,180	4/4/05	1997
Genco Muse Limited	Genco Muse	48,913	10/14/05	2001
Genco Acheron Limited	Genco Acheron	72,495	11/7/06	1999
Genco Surprise Limited	Genco Surprise	72,495	11/17/06	1998
Genco Augustus Limited	Genco Augustus	180,151	8/17/07	2007
Genco Tiberius Limited	Genco Tiberius	175,874	8/28/07	2007
Genco London Limited	Genco London	177,833	9/28/07	2007
Genco Titus Limited	Genco Titus	177,729	11/15/07	2007
Genco Challenger Limited	Genco Challenger	28,428	12/14/07	2003
Genco Charger Limited	Genco Charger	28,398	12/14/07	2005
Genco Warrior Limited	Genco Warrior	55,435	12/17/07	2005
Genco Predator Limited	Genco Predator	55,407	12/20/07	2005
Genco Hunter Limited	Genco Hunter	58,729	12/20/07	2007
Genco Champion Limited	Genco Champion	28,445	1/2/08	2006
Genco Constantine Limited	Genco Constantine	180,183	2/21/08	2008
Genco Raptor LLC	Genco Raptor	76,499	6/23/08	2007
Genco Cavalier LLC	Genco Cavalier	53,617	7/17/08	2007
Genco Thunder LLC	Genco Thunder	76,588	9/25/08	2007
Genco Hadrian Limited	Genco Hadrian	169,694	12/29/08	2008
Genco Commodus Limited	Genco Commodus	169,025	7/22/09	2009
Genco Maximus Limited	Genco Maximus	169,025	9/18/09	2009
Genco Claudius Limited	Genco Claudius	169,025	12/30/09	2010
Genco Bay Limited	Genco Bay	34,296	8/24/10	2010
Genco Ocean Limited	Genco Ocean	34,409	7/26/10	2010
Genco Avra Limited	Genco Avra	34,391	5/12/2011	2011
Genco Mare Limited	Genco Mare	34,428	7/20/2011	2011

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Genco Spirit Limited	Genco Spirit	34,432	11/10/2011	2011
Genco Aquitaine Limited	Genco Aquitaine	57,981	8/18/10	2009
Genco Ardennes Limited	Genco Ardennes	57,981	8/31/10	2009
Genco Auvergne Limited	Genco Auvergne	57,981	8/16/10	2009
Genco Bourgogne Limited	Genco Bourgogne	57,981	8/24/10	2010
Genco Brittany Limited	Genco Brittany	57,981	9/23/10	2010
Genco Languedoc Limited	Genco Languedoc	57,981	9/29/10	2010
Genco Loire Limited	Genco Loire	53,416	8/4/10	2009
Genco Lorraine Limited	Genco Lorraine	53,416	7/29/10	2009
Genco Normandy Limited	Genco Normandy	53,596	8/10/10	2007
Genco Picardy Limited	Genco Picardy	55,257	8/16/10	2005

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Genco Provence Limited	Genco Provence	55,317	8/23/10	2004
Genco Pyrenees Limited	Genco Pyrenees	57,981	8/10/10	2010
Genco Rhone Limited	Genco Rhone	58,018	3/29/2011	2011

On May 28, 2013, Baltic Trading Limited ( "Baltic Trading" ) closed an equity offering of 6,419,217 shares of Baltic Trading common stock at an offering price of \$3.60 per share. Baltic Trading received net proceeds of \$21,564 after deducting underwriters' fees and expenses.

On September 25, 2013, Baltic Trading closed an equity offering of 13,800,000 shares of Baltic Trading common stock at an offering price of \$4.60 per share. Baltic Trading received net proceeds of \$59,474 after deducting underwriters' fees and expenses.

On November 18, 2013, Baltic Trading closed an equity offering of 12,650,000 shares of Baltic Trading common stock at an offering price of \$4.60 per share. Baltic Trading received net proceeds of \$55,125 after deducting underwriters' fees and expenses.

Baltic Trading was a wholly-owned indirect subsidiary of GS&T until Baltic Trading completed its initial public offering, or IPO, on March 15, 2010. As of December 31, 2014 and 2013, Genco Investments LLC owned 6,356,471 shares of Baltic Trading's Class B Stock, which represented an 10.85% and 11.05% ownership interest in Baltic Trading, respectively, and 64.60% and 65.08% of the aggregate voting power of Baltic Trading's outstanding shares of voting stock, respectively. Additionally, pursuant to the Subscription Agreement between Genco Investments LLC and Baltic Trading, for so long as GS&T directly or indirectly holds at least 10% of the aggregate number of outstanding shares of Baltic Trading's common stock and Class B stock, Genco Investments LLC will be entitled to receive an additional number of shares of Baltic Trading's Class B stock equal to 2% of the number of common shares issued in the future, other than shares issued under Baltic Trading's Equity Incentive Plans. As such, when Baltic Trading closed the equity offerings of 6,419,217 shares on May 28, 2013, 13,800,000 shares on September 25, 2013 and 12,650,000 shares on November 18, 2013 as noted above, GS&T was issued 128,383, 276,000 and 253,000 shares, respectively, of Baltic Trading's Class B Stock which represents 2% of the number of common shares issued.

Below is the list of Baltic Trading's wholly owned ship-owning subsidiaries as of December 31, 2014:

Baltic Trading's Wholly Owned Subsidiaries	Vessel Acquired	Dwt	Delivery Date	Year Built
Baltic Leopard Limited	Baltic Leopard	53,447	4/8/10	2009
Baltic Panther Limited	Baltic Panther	53,351	4/29/10	2009
Baltic Cougar Limited	Baltic Cougar	53,432	5/28/10	2009
Baltic Jaguar Limited	Baltic Jaguar	53,474	5/14/10	2009
Baltic Bear Limited	Baltic Bear	177,717	5/14/10	2010
Baltic Wolf Limited	Baltic Wolf	177,752	10/14/10	2010
Baltic Wind Limited	Baltic Wind	34,409	8/4/10	2009
Baltic Cove Limited	Baltic Cove	34,403	8/23/10	2010
Baltic Breeze Limited	Baltic Breeze	34,386	10/12/10	2010
Baltic Fox Limited	Baltic Fox	31,883	9/6/13	2010
Baltic Hare Limited	Baltic Hare	31,887	9/5/13	2009
Baltic Lion Limited	Baltic Lion	179,185	12/27/13	2012
Baltic Tiger Limited	Baltic Tiger	179,185	11/26/13	2011
Baltic Hornet Limited	Baltic Hornet	63,574	10/29/14	2014
Baltic Wasp Limited	Baltic Wasp	63,389	1/2/15	2015
Baltic Scorpion Limited	Baltic Scorpion	64,000	Q2 2015 (1)	2015 (1)

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Baltic Mantis Limited	Baltic Mantis	64,000	Q3 2015 (1)	2015 (1)
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(1) Built dates and delivery dates for vessels being delivered in the future are estimates based on guidance received from the sellers and the respective shipyards.

The Company provides technical services for drybulk vessels purchased by Maritime Equity Partners ( MEP ). Peter C. Georgiopoulos, Chairman of the Board of Directors of GS&T, controls and has a minority interest in MEP. These services include oversight of crew management, insurance, drydocking, ship operations and financial statement preparation, but do not include chartering services. The services are provided for a fee of \$750 per ship per day plus reimbursement of out-of-pocket costs and was provided for an initial term of one year. MEP has the right to cancel provision of services on 60 days notice with payment of a one-year termination fee upon a change in control of the Company. The Company may terminate provision of the services at any time on 60 days notice.

On February 28, 2012, the Company closed on an equity offering of 7,500,000 shares of common stock at an offering price of \$7.10 per share. The Company received net proceeds of \$49,874 after deducting underwriters' fees and expenses.

## 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ), which include the accounts of GS&T, its wholly-owned subsidiaries and Baltic Trading, a subsidiary in which the Company owns a majority of the voting interests and exercises control. All intercompany accounts and transactions have been eliminated in consolidation.

### Basis of reporting

The consolidated financial statements have been prepared on a going concern basis as the Company believes that internally generated cash flow and cash on hand will be sufficient to fund the operations of the Company's fleet, including its working capital requirements, for the next twelve months, subject to the resolution of the foregoing issue related to the Company's credit facilities, refer to Note 10 Debt. The Company's current and future liquidity will greatly depend upon the Company's operating results. The Company's ability to continue to meet its liquidity needs is subject to, and will be affected by; cash utilized in operations; the economic or business environment in which the Company operates; weakness in shipping industry conditions; the financial condition of the Company's customers, vendors and service providers; the Company's ability to comply with the financial and other covenants of its post-restructuring indebtedness; and other factors. Additionally, the Chapter 11 Cases, including the fact that the Company has been subject to bankruptcy proceedings, and related matters could negatively impact the Company's financial condition.

### Business geographics

The Company's vessels regularly move between countries in international waters, over hundreds of trade routes and, as a result, the disclosure of geographic information is impracticable.

### Vessel acquisitions

When the Company enters into an acquisition transaction, it determines whether the acquisition transaction was the purchase of an asset or a business based on the facts and circumstances of the transaction. As is customary in the shipping industry, the purchase of a vessel is normally treated as a purchase of an asset as the historical operating data for the vessel is not reviewed nor is it material to the Company's decision to make such acquisition.

When a vessel is acquired with an existing time charter, the Company allocates the purchase price to the vessel and the time charter based on, among other things, vessel market valuations and the present value (using an interest rate which reflects the risks associated with the acquired charters) of the difference between (i) the contractual amounts to be paid pursuant to the charter terms and (ii) management's estimate of the fair market charter rate, measured over a period equal to the remaining term of the charter. The capitalized above-market (assets) and below-market (liabilities) charters are amortized as a reduction or increase, respectively, to revenues over the remaining term of the charter.

#### Segment reporting

The Company has two reportable segments, GS&T and Baltic Trading, which are both engaged in the ocean transportation of drybulk cargoes worldwide through the ownership and operation of drybulk carrier vessels. Refer to Note 3 Segment Information for further information.

#### Revenue and voyage expense recognition

Since the Company's inception, revenues have been generated from time charter agreements, pool agreements and spot market-related time charters. A time charter involves placing a vessel at the charterer's disposal for a set period of time during which the charterer may use the vessel in return for the payment by the charterer of a specified daily hire rate, including any ballast bonus payments received pursuant to the time charter agreement. Spot market-related time charters are the same as other time charter agreements, except the time charter rates are variable and are based on a percentage of the average daily rates as published by the Baltic Dry Index (BDI). Voyage revenues also include the sale of bunkers consumed during short-term time charters pursuant to the terms of the time charter agreement.

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In time charters, spot market-related time charters and pool agreements, operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel and specified voyage costs such as fuel and port charges are paid by the charterer. There are certain other non-specified voyage expenses, such as commissions, which are typically borne by the Company. At the inception of a time charter, the Company records the difference between the cost of bunker fuel delivered by the terminating charterer and the bunker fuel sold to the new charterer as a gain or loss within voyage expenses. These differences in bunkers resulted in a net (gain) loss of \$852 during the period from July 9 to December 31, 2014 for the Successor Company. During the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, the Predecessor Company recorded net (gains) losses of (\$252), (\$567) and (\$1,714), respectively. Additionally, voyage expenses include the cost of bunkers consumed during short-term time charters pursuant to the terms of the time charter agreement.

The Company records time charter revenues over the term of the charter as service is provided. Revenues are recognized on a straight-line basis as the average revenue over the term of the respective time charter agreement. The Company records spot market-related time charter revenues over the term of the charter as service is provided based on the rate determined based on the BDI for each respective billing period. As such, the revenue earned by the Company's vessels that are on spot market-related time charters is subject to fluctuations of the spot market. The Company recognizes voyage expenses when incurred.

Four of the Company's vessels, the Genco Ocean, Genco Bay, Genco Avra and Genco Spirit, were chartered under spot market-related time charters which include a profit-sharing element. The time charters for the Genco Ocean and Genco Bay ended during August 2013 and March 2013, respectively. The time charters for the Genco Avra and Genco Spirit ended during March 2014 and November 2014, respectively. Under these charter agreements, the rate for the spot market-related time charter was linked with a floor of \$9 and a ceiling of \$14 daily with a 50% profit sharing arrangement to apply to any amount above the ceiling. The rate was based on 115% of the average of the daily rates reflected in the daily reports of the Baltic Handysize Index.

At December 31, 2014 and 2013, eight and five of GS&T's vessels were in vessel pools, respectively. Additionally, at December 31, 2014 and 2013, five and four of Baltic Trading's vessels were in vessel pools, respectively. At December 31, 2014, GS&T and Baltic Trading had five and two vessels, respectively, operating in the Clipper Logger Pool, a vessel pool trading in the spot market for which Clipper Group acts as the pool manager. Additionally, at December 31, 2014, GS&T and Baltic Trading had two and three vessels, respectively, operating in the Bulkhandling Handymax A/S Pool, a vessel pool trading in the spot market for which Torvald Klaveness acts as pool manager. Lastly, as of December 31, 2014, GS&T had one vessel operating in the Navig8 Bulk Pool, a vessel pool trading in the spot market for which Navig8 Inc. acts as the pool manager. At December 31, 2013, GS&T and Baltic Trading had two and two vessels, respectively, operating in the Clipper Logger Pool. Additionally, at December 31, 2013, Baltic Trading had two vessels operating in the Bulkhandling Handymax A/S Pool. Lastly, at December 31, 2013, GS&T had three vessels operating in the LB/IVS Pool, a vessel pool trading in the spot market for which Lauritzen Bulkcarriers A/S acts as the pool manager. Under pool arrangements, the vessels operate under a time charter agreement whereby the cost of bunkers and port expenses are borne by the pool and operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. Since the members of the pool share in the revenue less voyage expenses generated by the entire group of vessels in the pool, and the pool operates in the spot market, the revenue earned by these vessels is subject to the fluctuations of the spot market. The Company recognizes revenue from these pool arrangements based on its portion of the net distributions reported by the relevant pool, which represents the net voyage revenue of the pool after voyage expenses and pool manager fees.

### Other operating income

During the period from July 9 to December 31, 2014, the Successor Company recorded other operating income of \$530. During the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, the Predecessor Company recorded other operating income of \$0, \$121 and \$265 respectively. Other operating income recorded by the Successor Company during the period from July 9 to December 31, 2014 and by the Predecessor Company during the year ended December 31, 2012 consists of \$530 and \$263, respectively, related to installments due from Samsung Logix Corporation ( Samsung ) pursuant to the rehabilitation plan which was approved by the South Korean courts. Other operating income recorded by the Predecessor Company during the years ended December 31, 2013 and 2012 also included \$21 and \$2,

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respectively, related to the settlement due from Korea Line Corporation ( KLC ) pursuant to the rehabilitation plan which was approved by the South Korean courts. Lastly, other operating income during the year ended December 31, 2013 included \$100 related to the receipt of 3,355 shares of stock of KLC as part of the aforementioned rehabilitation plan. This investment has been designated as Available for Sale ( AFS ). Refer to Note 22 Commitments and Contingencies for further information regarding the bankruptcy settlements with Samsun and KLC and Note 7 Investments for further information regarding the investment in KLC shares.

### Due from charterers, net

Due from charterers, net includes accounts receivable from charters, net of the provision for doubtful accounts. At each balance sheet date, the Company records the provision based on a review of all outstanding charter receivables. Included in the

standard time charter contracts with the Company's customers are certain performance parameters which, if not met, can result in customer claims. As of December 31, 2014 and 2013, the Company had a reserve of \$1,588 and \$632, respectively, against the due from charterers balance and an additional accrual of \$662 and \$536, respectively, in deferred revenue, each of which is primarily associated with estimated customer claims against the Company including vessel performance issues under time charter agreements.

Revenue is based on contracted charterparties. However, there is always the possibility of dispute over terms and payment of hires and freights. In particular, disagreements may arise concerning the responsibility of lost time and revenue. Accordingly, the Company periodically assesses the recoverability of amounts outstanding and estimates a provision if there is a possibility of non-recoverability. The Company believes its provisions to be reasonable based on information available.

#### Inventories

Inventories consist of consumable bunkers, lubricants and victualling stores, which are stated at the lower of cost or market value and are recorded in Prepaid expenses and other current assets. Cost is determined by the first in, first out method.

#### Vessel operating expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, and other miscellaneous expenses. Vessel operating expenses are recognized when incurred.

#### Vessels, net

Vessels, net is stated at cost less accumulated depreciation. Included in vessel costs are acquisition costs directly attributable to the acquisition of a vessel and expenditures made to prepare the vessel for its initial voyage. The Company also capitalizes interest costs for a vessel under construction as a cost that is directly attributable to the acquisition of a vessel. Vessels are depreciated on a straight-line basis over their estimated useful lives, determined to be 25 years from the date of initial delivery from the shipyard. Depreciation expense for vessels for the period from July 9 to December 31, 2014 for the Successor Company was \$36,265. Depreciation expense for vessels for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012 for the Predecessor Company was \$71,756, \$133,562, and \$133,111, respectively.

Depreciation expense is calculated based on cost less the estimated residual scrap value. The costs of significant replacements, renewals and betterments are capitalized and depreciated over the shorter of the vessel's remaining estimated useful life or the estimated life of the renewal or betterment. Undepreciated cost of any asset component being replaced that was acquired after the initial vessel purchase is written off as a component of vessel operating expense. Expenditures for routine maintenance and repairs are expensed as incurred. Scrap value is estimated by the Company by taking the cost of steel times the weight of the ship noted in lightweight tons (lwt). Effective July 9, 2014, on the Effective Date, the Company increased the estimated scrap value of the vessels from \$245 per lwt to \$310 per lwt prospectively based on the 15-year average scrap value of steel. The change in the estimated scrap value will result in a decrease in depreciation expense over the remaining life of the vessel assets. During the period from July 9 to December 31, 2014, the increase in the estimated scrap value resulted in a decrease in depreciation expense of \$1,540 for the Successor Company. The decrease in depreciation expense resulted in a \$0.03 change to the basic and

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diluted net loss per share during the period from July 9 to December 31, 2014. The basic and diluted net loss per share would have been (\$3.41) per share if there was no change in the estimated scrap value.

### Fixed assets, net

Fixed assets, net are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are based on a straight line basis over the estimated useful life of the specific asset placed in service. The following table is used in determining the typical estimated useful lives:

Description	Useful lives
Leasehold improvements	Lesser of the estimated useful life of the asset or life of the lease
Furniture, fixtures & other equipment	5 years
Vessel equipment	2-15 years
Computer equipment	3 years

Depreciation and amortization expense for fixed assets for the period from July 9 to December 31, 2014 for the Successor Company was \$119. Depreciation and amortization expense for fixed assets for the period from January 1 to July 9, 2014 and for the



years ended December 31, 2013 and 2012 for the Predecessor Company was \$458, \$1,481 and \$888, respectively.

#### Deferred drydocking costs

The Company's vessels are required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are operating. The Company defers the costs associated with the drydockings as they occur and amortizes these costs on a straight-line basis over the period between drydockings. Costs deferred as part of a vessel's drydocking include actual costs incurred at the drydocking yard; cost of travel, lodging and subsistence of personnel sent to the drydocking site to supervise; and the cost of hiring a third party to oversee the drydocking. If the vessel is drydocked earlier than originally anticipated, any remaining deferred drydock costs that have not been amortized are expensed at the end of the next drydock.

Amortization expense for drydocking for the period from July 9 to December 31, 2014 for the Successor Company was \$330. Amortization expense for drydocking for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012 for the Predecessor Company was \$3,738, \$5,700, and \$5,064, respectively. All other costs incurred during drydocking are expensed as incurred.

#### Goodwill

The Company follows the provisions of ASC Subtopic 350-20, Intangibles - Goodwill and Other (ASC 350-20). This statement requires that goodwill and intangible assets with indefinite lives be tested for impairment at least annually or when there is a triggering event and written down with a charge to operations when the carrying amount of the reporting unit that includes goodwill exceeds the estimated fair value of the reporting unit. If the carrying value of the goodwill exceeds the reporting unit's implied goodwill, such excess must be written off.

The Company recorded Goodwill of \$166,067 upon adoption of fresh-start reporting in accordance with provisions of ASC 852 as of the Effective Date. Pursuant to the Company's annual goodwill impairment testing performed as of December 31, 2014, it was determined that the entire amount of this goodwill was impaired. Refer to Note 5 Goodwill Impairment.

#### Impairment of long-lived assets

The Company follows ASC Subtopic 360-10, Property, Plant and Equipment (ASC 360-10), which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts. If indicators of impairment are present, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value. Various factors including anticipated future charter rates, estimated scrap values, future drydocking costs and estimated vessel operating costs are included in this analysis.

For the periods from July 9 to December 31, 2014 and from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, no impairment charges were recorded on the Company's long-lived assets.

As part of fresh-start reporting, the Company revalued its vessel assets at their fair values as of the Effective Date and the losses were recorded in Reorganization items, net in the Consolidated Statements of Operation.

#### Deferred financing costs

Deferred financing costs, included in other assets, consist of fees, commissions and legal expenses associated with securing loan facilities and other debt offerings and amending existing loan facilities. These costs are amortized over the life of the related debt and are included in interest expense.

#### Cash and cash equivalents

The Company considers highly liquid investments such as money market funds and certificates of deposit with an original maturity of three months or less to be cash equivalents.

#### Investments

The Company holds an investment in the capital stock of Jinhui Shipping and Transportation Limited ( Jinhui ) and in KLC. Jinhui is a drybulk shipping owner and operator focused on the Supramax segment of drybulk shipping. KLC is a marine

transportation service company which operates a fleet of carriers which includes carriers for iron ore, liquefied natural gas and tankers for oil and petroleum products. The investments in Jinhui and KLC have been designated as AFS and are reported at fair value, with unrealized gains and losses recorded in equity as a component of accumulated other comprehensive income (loss) ( AOCI ). The Company classifies the investments as current or noncurrent assets based on the Company's intent to hold the investments at each reporting date.

Investments are reviewed quarterly to identify possible other-than-temporary impairment in accordance with ASC Subtopic 320-10, Investments Debt and Equity Securities ( ASC 320-10 ). When evaluating its investments, the Company reviews factors such as the length of time and extent to which fair value has been below the cost basis, the financial condition of the issuer, the underlying net asset value of the issuer's assets and liabilities, and the Company's ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value. Should the decline in the value of any investment be deemed to be other-than-temporary, the investment basis would be written down to fair market value, and the write-down would be recorded to earnings as a loss. Refer to Note 7 Investments.

### Income taxes

Pursuant to Section 883 of the U.S. Internal Revenue Code of 1986 as amended (the Code ), qualified income derived from the international operations of ships is excluded from gross income and exempt from U.S. federal income tax if a company engaged in the international operation of ships meets certain requirements (the Section 883 exemption ). Among other things, in order to qualify, the Company must be incorporated in a country that grants an equivalent exemption to U.S. corporations and must satisfy certain qualified ownership requirements.

GS&T is incorporated in the Marshall Islands. Pursuant to the income tax laws of the Marshall Islands, GS&T is not subject to Marshall Islands income tax. The Marshall Islands has been officially recognized by the Internal Revenue Service as a qualified foreign country that currently grants the requisite equivalent exemption from tax. GS&T is not taxable in any other jurisdiction, with the exception of Genco Management (USA) Limited as noted below.

GS&T will qualify for the Section 883 exemption if, among other things, (i) GS&T stock is treated as primarily and regularly traded on an established securities market in the United States (the publicly traded test ), or (ii) GS&T satisfies one of two other ownership tests. Under applicable Treasury Regulations, the publicly-traded test cannot be satisfied in any taxable year in which persons who actually or constructively own 5% or more of our stock ( 5% shareholders ), together own 50% or more of GS&T's stock for more than half the days in such year (the five percent override rule ), unless an exception applies.

Based on the ownership and trading of GS&T stock in 2014, management believes that GS&T satisfied the publicly traded test and qualified for the Section 883 exemption in 2014. However, as a result of the restructuring of GS&T's indebtedness pursuant to the Plan, 5% shareholders may beneficially own more than 50% of GS&T stock for more than half of 2015. As a result, the five percent override rule may apply, and management believes that GS&T would have significant difficulty in satisfying an exception thereto. It is also not clear whether GS&T will satisfy one of the other two ownership tests. Thus, GS&T may not qualify for the Section 883 exemption in 2015. Even if GS&T does qualify for the Section 883 exemption in 2015, there can be no assurance that changes and shifts in the ownership of GS&T stock by 5% shareholders will not preclude GS&T from qualifying for the Section 883 exemption in future taxable years.

If GS&T does not qualify for the Section 883 exemption, GS&T's U.S. source shipping income, i.e., 50% of its gross shipping income attributable to transportation beginning or ending in the U.S. (but not both beginning and ending in the U.S.) would be subject to a 4% tax without allowance for deductions (the U.S. gross transportation tax ).

Baltic Trading is also incorporated in the Marshall Islands and its stock is primarily traded on an established securities market in the U.S. However, GS&T has indirectly owned shares of Baltic Trading's Class B Stock which has provided GS&T with over 50% of the combined voting power of all classes of Baltic Trading's voting stock since Baltic Trading's IPO was completed on March 15, 2010. As a result, Baltic Trading's Class B Stock will not be treated as regularly traded and Baltic Trading will not satisfy the publicly traded test (and cannot satisfy one of the other two ownership tests). Thus, Baltic Trading does not qualify for a Section 883 exemption. As such, Baltic Trading is subject to U.S. gross transportation income tax on its U.S. source shipping income.

During the period from July 9 to December 31, 2014, Baltic Trading had U.S. source shipping income of \$900. Baltic Trading's estimated U.S. gross transportation income tax expense for the period from July 9 to December 31, 2014 was \$18. During the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, Baltic Trading had U.S. source shipping income of \$1,930, \$1,664 and \$1,379, respectively. Baltic Trading's U.S. gross transportation income tax expense for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012 was \$39, \$34 and \$28, respectively.

In addition to GS&T's shipping income and pursuant to certain agreements, GS&T technically and commercially manages

vessels for Baltic Trading, and provides technical management of vessels for MEP in exchange for fees. These management services are performed by Genco Management (USA) Limited ( Genco (USA) ), which has elected to be classified (and taxed) as a corporation for U.S. federal income tax purposes. As such, Genco (USA) is subject to U.S. federal net income tax (currently imposed at graduated rates of up to 35%) on its worldwide net income, including the net income derived from providing these management services. Genco (USA) has entered into a cost-sharing agreement with the Company and Genco Ship Management LLC, collectively Manco, pursuant to which Genco (USA) agrees to reimburse Manco for the costs incurred by Genco (USA) for the use of Manco's personnel and services in connection with the provision of management services for both Baltic Trading and MEP's vessels.

Total revenue earned by the Successor Company for management services during the period from July 9 to December 31, 2014 was \$3,893, of which \$2,309 was eliminated upon consolidation. After allocation of certain expenses, there was taxable net income of \$2,178 associated with these activities for the period from July 9 to December 31, 2014. This resulted in estimated U.S. federal net income tax expense of \$978 for the period from July 9 to December 31, 2014.

Total revenue earned by the Predecessor Company for management services during the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012 was \$3,857, \$7,856 and \$6,110, respectively, of which \$2,156, \$4,571 and \$2,816, respectively, was eliminated upon consolidation. After allocation of certain expenses, there was taxable net income of \$1,723 associated with these activities for the period from January 1 to July 9, 2014. This resulted in estimated U.S. federal net income tax expense of \$776 for the period from January 1 to July 9, 2014. After allocation of certain expenses, there was taxable net income of \$4,235 associated with these activities for the year ended December 31, 2013. This resulted in estimated U.S. federal net income tax expense of \$1,864 for the year ended December 31, 2013. After allocation of certain expenses, there was taxable net income of \$2,655 associated with these activities for the year ended December 31, 2012. This resulted in estimated U.S. federal net income tax expense of \$1,194 for the year ended December 31, 2012.

#### Deferred revenue

Deferred revenue primarily relates to cash received from charterers prior to it being earned. These amounts are recognized as income when earned. Additionally, deferred revenue includes estimated customer claims mainly due to time charter performance issues. Refer to Revenue and voyage expense recognition above for description of the Company's revenue recognition policy.

#### Comprehensive income

The Company follows ASC Subtopic 220-10, Comprehensive Income ( ASC 220-10 ), which establishes standards for reporting and displaying comprehensive income and its components in financial statements. Comprehensive income is comprised of net income and amounts related to the Company's interest rate swaps accounted for as hedges, as well as unrealized gains or losses associated with the Company's AFS investments.

#### Nonvested stock awards

The Company follows ASC Subtopic 718-10, Compensation - Stock Compensation ( ASC 718-10 ), for nonvested stock issued under its equity incentive plans. Stock-based compensation costs from nonvested stock have been classified as a component of additional paid-in capital.

Accounting estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include vessel valuations, the valuation of amounts due from charterers, performance claims, residual value of vessels, useful life of vessels and the fair value of derivative instruments. Actual results could differ from those estimates.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk are amounts due from charterers, cash and cash equivalents, deposits on vessels and interest rate swap agreements. With respect to amounts due from charterers, the Company attempts to limit its credit risk by performing ongoing credit evaluations and, when deemed necessary, requires letters of credit, guarantees or collateral. The Successor Company earned 100% of revenues from 44 customers during the period from July 9 to December 31, 2014. The Predecessor Company earned 100% of revenues from 33 customers during the period from January 1 to July 9, 2014, 48 customers during the year ended December 31, 2013 and 43 customers during the year ended December 31, 2012. Management does not believe significant risk exists in connection with the Company's concentrations of credit at December 31, 2014 and 2013.

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For the period from July 9 to December 31, 2014 for the Successor Company, there were two customers that individually accounted for more than 10% of voyage revenues; Cargill International S.A., including its subsidiaries ( Cargill ) and Swissmarine Services S.A., including its subsidiaries ( Swissmarine ), which represented 17.06% and 22.52% of voyage revenues, respectively. For the period from January 1 to July 9, 2014 for the Predecessor Company, there were two customers that individually accounted for more than 10% of voyage revenues; Cargill and Swissmarine, which represented 19.37% and 20.67% of voyage revenues, respectively. For the year ended December 31, 2013 for the Predecessor Company, there were three customers that individually accounted for more than 10% of voyage revenues; Cargill, Swissmarine and Pacific Basin Chartering Ltd., which represented 21.45%, 18.73% and 10.30% of voyage revenues, respectively. For the year ended December 31, 2012 for the Predecessor Company, there was one customer that individually accounted for more than 10% of voyage revenues, Cargill, which represented 31.27% of voyage revenues.

At December 31, 2014 and 2013, deposits on vessels consist primarily of progress payments due by Baltic Trading to the shipyard as per the newbuilding contracts with Yangfan Group Co., Ltd. These payments are not held in an escrow account; however, Baltic Trading has a refund guarantee with the Bank of China in the case that Yangfan Group Co., Ltd. does not perform as required by the newbuilding contracts. Refer to Note 6 Vessel Acquisitions for further information.

At December 31, 2014 and 2013, the Company maintains all of its cash and cash equivalents with three and four financial institutions, respectively. None of the Company's cash and cash equivalent balances is covered by insurance in the event of default by these financial institutions.

At December 31, 2013, the Company had four interest rate swap agreements with DnB Bank ASA to manage interest costs and the risk associated with changing interest rates related to the 2007 Credit Facility. None of the interest rate swap agreements were covered by insurance in the event of default by this financial institution. On April 30, 2014, the remaining interest rate swap agreement was terminated by DNB Bank ASA and a secure claim was filed with the Bankruptcy Court. Refer to Note 1 General Information for additional information regarding defaults related to the interest rate swap. There were no interest rate swaps held by the Company at December 31, 2014.

### Fair value of financial instruments

The estimated fair values of the Company's financial instruments, such as amounts due to / due from charterers, accounts payable and long-term debt, approximate their individual carrying amounts as of December 31, 2014 and 2013 due to their short-term maturity or the variable-rate nature of the respective borrowings under the credit facilities.

The fair value of the interest rate swaps is the estimated amount the Company would receive or have to pay in order to terminate these agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty for assets and creditworthiness of the Company for liabilities. See Note 14 - Fair Value of Financial Instruments for additional disclosure on the fair values of long term debt, convertible senior notes, derivative instruments, and AFS securities.

### Derivative financial instruments

### Interest rate risk management

The Company is exposed to the impact of interest rate changes. The Company's objective is to manage the impact of interest rate changes on its earnings and cash flow in relation to borrowings primarily for the purpose of acquiring drybulk vessels. These borrowings are subject to a variable borrowing rate. Up until the Effective Date, the Company used pay-fixed receive-variable interest rate swaps to manage future interest costs and the risk associated with changing interest rate obligations. These swaps were designated as cash flow hedges of future variable rate interest payments and were tested for effectiveness on a quarterly basis. Refer to Note 12 Interest Rate Swap Agreements for further information regarding the interest rate swaps that were held by the Company prior to the Effective Date.

The differential to be paid or received for the effectively hedged portion of any swap agreement was recognized as an adjustment to interest expense as incurred. Additionally, the changes in value for the portion of the swaps that were effectively hedging future interest payments were reflected as a component of AOCI.

For the interest rate swaps that are not designated as an effective hedge, the change in the value and the rate differential to be paid or received was recognized as other expense and is listed as a component of other (expense) income in the Consolidated Statements of Operations.



Recent accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, and shall be applied either retrospectively to each period presented or as a cumulative effect adjustment as of the date of adoption. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

In February 2013, the FASB issued Accounting Standards Update No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02), to improve the transparency of changes in other comprehensive income (loss) (OCI) and items reclassified out of accumulated other income (loss) (AOCI). The amendments in ASU 2013-02 are required to be applied prospectively and are effective for reporting periods beginning after December 15, 2012. The adoption of ASU 2013-02 did not have any impact on the Company's consolidated financial statements other than separately disclosing in the footnotes to the consolidated financial statements amounts reclassified out of AOCI and the individual line items in the Consolidated Statement of Operations that are affected. The Company adopted ASU 2013-02 during the year ended December 31, 2013 and the impact of adoption was not material to the Company's consolidated financial statements. Refer to Note 13 Accumulated Other Comprehensive Income (Loss) for additional disclosure.

3 - SEGMENT INFORMATION

The Company determines its reportable segments based on the information utilized by the chief operating decision maker to assess performance and make decisions about allocating the Company's resources. Based on this information, the Company has two reportable operating segments, GS&T and Baltic Trading. Both GS&T and Baltic Trading are engaged in the ocean transportation of drybulk cargoes worldwide through the ownership and operation of drybulk carrier vessels. GS&T and Baltic Trading seek to deploy their vessels on time charters, spot market-related time charters or in vessel pools trading in the spot market. Segment results are evaluated based on net (loss) income. Additionally, the debt covenants for the credit facilities are measured separately for GS&T and Baltic Trading. The accounting policies applied to the reportable segments are the same as those used in the preparation of the Company's consolidated financial statements. As a result of the adoption of fresh-start reporting on the Effective Date, the cost basis for certain of Baltic Trading's assets were revalued and are reflected in the Baltic Trading balances in the segment information reported below.

The following table presents a reconciliation of total voyage revenue from external (third party) customers for the Company's two operating segments to total consolidated voyage revenue from external customers for the Successor Company for the period from July 9 to December 31, 2014 and for the Predecessor Company for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012.

	Successor Period from July 9 to December 31, 2014		Predecessor Period from January 1 to July 9, 2014		Predecessor For the Years Ended December 31, 2013 2012	
<u>Voyage revenue from external customers</u>						
GS&T	\$	77,885	\$	94,171	\$	188,206
					\$	195,855

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Baltic Trading	20,932	24,588	35,973	27,304
Total operating segments	98,817	118,759	224,179	223,159
Eliminating revenue				
Total consolidated voyage revenue from external customers	\$ 98,817	\$ 118,759	\$ 224,179	\$ 223,159

The following table presents a reconciliation of total intersegment revenue, which eliminates upon consolidation, for the Company's two operating segments for the Successor Company for the period from July 9 to December 31, 2014 and for the Predecessor Company for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012. The intersegment revenue noted in the following table represents revenue earned by GS&T pursuant to the management agreement entered into with Baltic Trading, which includes commercial service fees, technical service fees and sale and purchase fees, if any.

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	Successor		Predecessor	
	Period from	Period from	For the Years Ended December 31,	
	July 9	January 1	2013	2012
	to December 31,	to July 9,		
	2014	2014		
<b>Intersegment Revenue</b>				
GS&T	\$ 2,309	\$ 2,156	\$ 4,571	\$ 2,816
Baltic Trading				
Total operating segments	2,309	2,156	4,571	2,816
Eliminating revenue	(2,309)	(2,156)	(4,571)	(2,816)
Total consolidated intersegment revenue	\$	\$	\$	\$

The following table presents a reconciliation of total depreciation and amortization expense for the Company's two operating segments to total consolidated depreciation and amortization expense for the Successor Company for the period from July 9 to December 31, 2014 and for the Predecessor Company for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012. The eliminating depreciation and amortization expense noted in the following table consists of the elimination of intercompany transactions resulting from the depreciation expense associated with the 1% purchase fee due to GS&T from Baltic Trading pursuant to the Management Agreement. The 1% purchase fee is capitalized as part of vessel assets by Baltic Trading and is depreciated over the remaining life of the vessel and therefore, the associated depreciation expense is eliminated upon consolidation.

	Successor		Predecessor	
	Period from	Period from	For the Years Ended December 31,	
	July 9	January 1	2013	2012
	to December 31,	to July 9,		
	2014	2014		
<b>Depreciation and amortization</b>				
GS&T	\$ 28,922	\$ 65,237	\$ 125,344	\$ 124,405
Baltic Trading	7,794	10,829	15,564	14,814
Total operating segments	36,716	76,066	140,908	139,219
Eliminating depreciation and amortization	(2)	(114)	(165)	(156)
Total consolidated depreciation and amortization	\$ 36,714	\$ 75,952	\$ 140,743	\$ 139,063

The following table presents a reconciliation of total interest expense for the Company's two operating segments to total consolidated interest expense for the Successor Company for the period from July 9 to December 31, 2014 and for the Predecessor Company for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012. There is no eliminating interest expense as the interest incurred by each operating segment is related to each operating segment's own debt facilities.

	Successor		Predecessor	
	Period from	Period from	For the Years Ended December 31,	
	July 9	January 1	2013	2012
	to December 31,	to July 9,		
	2014	2014		
<b>Interest expense</b>				
GS&T	\$ 4,791	\$ 37,998	\$ 83,761	\$ 83,306
Baltic Trading	2,829	3,063	4,455	4,252
Total operating segments	7,620	41,061	88,216	87,558
Eliminating interest expense				
Total consolidated interest expense	\$ 7,620	\$ 41,061	\$ 88,216	\$ 87,558

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The following table presents a reconciliation of total net (loss) income for the Company's two operating segments to total consolidated net (loss) income for the Successor Company for the period from July 9 to December 31, 2014 and for the Predecessor Company for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012. The eliminating net (loss) income noted in the following table consists of the elimination of intercompany transactions between GS&T and Baltic Trading as well as dividends received by GS&T from Baltic Trading for its Class B shares of Baltic Trading.

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	Successor		Predecessor	
	Period from	Period from	For the Years Ended December 31,	
	July 9	January 1	2013	2012
	to December 31,	to July 9,		
	2014	2014		
<b>Net (loss) income</b>				
GS&T	\$ (177,921)	\$ 878,127	\$ (144,054)	\$ (139,295)
Baltic Trading	(35,032)	(93,430)	(11,392)	(17,270)
Total operating segments	(212,953)	784,697	(155,446)	(156,565)
Eliminating net loss (income)	405	140	1,575	1,211
Total consolidated net (loss) income	\$ (213,358)	\$ 784,557	\$ (157,021)	\$ (157,776)

The following table presents a reconciliation of total assets for the Company's two operating segments to total consolidated net assets as of December 31, 2014 and December 31, 2013. The eliminating assets noted in the following table consist of the elimination of intercompany transactions resulting from the capitalization of fees paid to GS&T by Baltic Trading as vessel assets, including related accumulated depreciation, as well as the outstanding receivable balance due to GS&T from Baltic Trading as of December 31, 2014 and 2013.

	Successor	Predecessor
	December 31,	December 31,
	2014	2013
<b>Total assets</b>		
GS&T	\$ 1,270,923	\$ 2,404,811
Baltic Trading	482,415	557,367
Total operating segments	1,753,338	2,962,178
Eliminating assets	(425)	(4,924)
Total consolidated assets	\$ 1,752,913	\$ 2,957,254

The following table presents a reconciliation of total expenditures for vessel purchases, including vessel deposits, for the Company's two operating segments to total consolidated expenditures for vessel purchases, including vessel deposits, for the Successor Company for the period from July 9 to December 31, 2014 and for the Predecessor Company for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012. The eliminating expenditures for vessels noted in the following table consists primarily of the elimination of the 1% purchase fees due to GS&T from Baltic Trading pursuant to the Management Agreement which were paid by Baltic Trading to GS&T during the period from July 9 to December 31, 2014 and during the year ended December 31, 2013.

	Successor		Predecessor	
	Period from	Period from	For the Years Ended December 31,	
	July 9	January 1	2013	2012
	to December 31,	to July 9,		
	2014	2014		
<b>Expenditures for vessels</b>				
GS&T	\$ 831	\$ 1,043	\$ 192	\$ 1,155
Baltic Trading	23,922	28,952	146,598	
Total operating segments	24,753	29,995	146,790	1,155
Eliminating expenditures for vessels	(280)		(1,440)	
Total consolidated expenditures for vessels	\$ 24,473	\$ 29,995	\$ 145,350	\$ 1,155

**4 - CASH FLOW INFORMATION**

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As of December 31, 2013, the Company had four interest rate swaps which are described and discussed in Note 12 Interest Rate Swap Agreements. At December 31, 2013, the fair value of the four interest rate swaps were in a liability position of \$6,975, all of which was classified within current liabilities.

For the period from July 9 to December 31, 2014, the Successor Company had non-cash investing activities not included in the Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses consisting of \$464 for the Purchase of vessels, including deposits and \$22 for the Purchase of other fixed assets. Additionally, for the period from July 9 to December 31, 2014, the Successor Company had non-cash financing activities not included in the Consolidated Statement of Cash

Flows for items included in Accounts payable and accrued expenses consisting of \$2,190 associated with the Payment of deferred financing fees. Lastly, for the period from July 9 to December 31, 2014, the Successor Company had non-cash investing activities not included in the Consolidated Statement of Cash Flows for items included in Prepaid expenses and other current assets consisting of \$7 associated with the Purchase of vessels, including deposits.

Professional fees and trustee fees in the amount of \$1,591 were recognized in Reorganization items, net for the period from July 9 to December 31, 2014 by the Successor Company (refer to Note 21). During this period, \$32,794 of professional fees and trustee fees were paid through December 31, 2014 and \$313 is included in Accounts payable and accrued expenses as of December 31, 2014.

For the period from January 1 to July 9, 2014, the Predecessor Company had non-cash investing activities not included in the Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses consisting of \$53 for the Purchase of vessels, including deposits and \$20 for the Purchase of other fixed assets. Additionally, for the period from January 1 to July 9, 2014, the Predecessor Company had non-cash financing activities not included in the Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses consisting of \$456 associated with the Payment of deferred financing fees.

Of the \$35,232 of professional fees and trustee fees recognized in Reorganization items, net for the period from January 1 to July 9, 2014 by the Predecessor Company (refer to Note 21), \$2,703 was paid through July 9, 2014 and \$32,529 is included in Accounts payable and accrued expenses as of July 9, 2014.

For the year ended December 31, 2013, the Predecessor Company had non-cash investing activities not included in the Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses consisting of \$618 for the Purchase of vessels, including deposits and \$122 for the Purchase of other fixed assets. For the year ended December 31, 2013, the Predecessor Company had non-cash financing activities not included in the Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses consisting of \$78 associated with the Payment of deferred financing fees and \$111 for the Payment of common stock issuance costs by its subsidiary. Additionally, for the year ended December 31, 2013, the Predecessor Company had non-cash financing activities not included in the Consolidated Statement of Cash Flows for items included in Current interest payable consisting of \$13,199 associated with the Payment of deferred financing fees.

For the year ended December 31, 2012, the Predecessor Company had non-cash financing activities not included in the Consolidated Statement of Cash Flows for items included in Long-term interest payable consisting of \$13,199 associated with the Payment of deferred financing fees.

During the period from July 9 to December 31, 2014, the Successor Company made a reclassification of \$9,140 from deposits on vessels to vessels, net of accumulated depreciation, due to the completion of the purchase of Baltic Hornet. No such reclassifications were made by the Predecessor Company during the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012.

During the period from January 1 to July 9, 2014, the Predecessor Company made a reclassification of \$984 from fixed assets to vessel assets for items that should be capitalized and depreciated over the remaining life of the respective vessels.

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During the period from July 9 to December 31, 2014, cash paid by the Successor Company for interest, net of amounts capitalized, was \$5,483. During the period from January 1 to July 9, 2014 and the years ended December 31, 2013 and 2012, cash paid for interest, net of amounts capitalized and including bond coupon interest paid, was \$40,209, \$75,133 and \$79,373 respectively.

During the period from July 9 to December 31, 2014, cash paid by the Successor Company for estimated income taxes was \$750. During the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, cash paid for estimated income taxes was \$1,495, \$1,275 and \$1,216, respectively.

On August 7, 2014, the Company made grants of nonvested common stock pursuant to the MIP as approved by the Plan in the amount of 1,110,600 shares to the participating officers, directors and other management of the Successor Company. The aggregate fair value of such nonvested stock was \$22,212. Additionally, on August 7, 2014, the Company issued 8,557,461 MIP Warrants to the participating officers, directors and other management of the Successor Company. The aggregate fair value of these awards upon emergence from bankruptcy was \$54,436.

On May 16, 2013, the Company made grants of nonvested common stock in the amount of 200,634 shares in the aggregate to directors of the Company. The grant date fair value of such nonvested stock was \$315. On May 17, 2012, November 7, 2012 and



December 13, 2012, the Company made grants of nonvested common stock in the amount of 15,000, 2,500 and 52,500 shares, respectively, to directors of the Company. The grant date fair value of such nonvested stock was \$53, \$7 and \$141, respectively. These shares vested on May 16, 2013. On December 13, 2012, the Board of Directors approved a grant of 100,000 shares of nonvested common stock to Peter C. Georgiopoulos, Chairman of the Board, which had a grant date fair value of \$268. Lastly, on December 13, 2012, the Company granted 294,175 shares of nonvested stock to certain employees. The grant date fair value of such nonvested stock was \$788. These nonvested shares were cancelled on the Effective Date and the holder received warrants to acquire shares of New Genco Common Stock. Refer to Note 1 - General Information for information regarding the Chapter 11 Cases.

On April 9, 2014, Baltic Trading made grants of nonvested common stock in the amount of 36,345 shares to directors of Baltic Trading. The aggregate fair value of such nonvested stock was \$225. Additionally, on December 18, 2014, 700,000 and 350,000 shares of Baltic Trading's nonvested common stock were granted to Peter C. Georgiopoulos, Chairman of the Board of Baltic Trading, and John Wobensmith, Baltic Trading's President and Chief Financial Officer, respectively. The grant date fair value of such nonvested stock was \$2,615.

On May 16, 2013, Baltic Trading made grants of nonvested common stock in the amount of 59,680 shares to directors of Baltic Trading. The grant date fair value of such nonvested stock was \$225. These shares vested on April 9, 2014. Additionally, on December 19, 2013, 539,000 and 400,000 shares of Baltic Trading's nonvested common stock were granted to Peter C. Georgiopoulos and John Wobensmith, respectively. The grant date fair value of such nonvested stock was \$5,371.

On May 17, 2012 and December 13, 2012, Baltic Trading made grants of nonvested common stock in the amount of 12,500 and 37,500 shares, respectively, to directors of Baltic Trading. The grant date fair value of such nonvested stock was \$48 and \$113, respectively. These shares vested on May 16, 2013. Additionally, on December 13, 2012, 166,666 and 83,333 shares of Baltic Trading's nonvested common stock were granted to Peter C. Georgiopoulos and John Wobensmith, respectively. The grant date fair value of such nonvested stock was \$750. All of the aforementioned grants of Baltic Trading's nonvested common stock were made under Baltic Trading's Equity Incentive Plan.

## 5 GOODWILL IMPAIRMENT

ASC 350-20 bases the accounting for goodwill on the reporting units of the combined entity. The Company has two reporting units as defined by criteria in ASC 350-20, GS&T and Baltic Trading.

The Company recorded Goodwill of \$166,067 in adopting fresh-start reporting in accordance with provisions of ASC 852 as of the Effective Date, which was allocated to its two reporting units based on their relative fair values as of that date.

ASC 350-20 provides guidance for impairment testing of goodwill, which is not amortized. Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that its carrying amount may not be recoverable, using a two-step process that begins with an estimation of the fair value of the Company's reporting units. The first step is a screen for potential impairment and the second step measures the amount of impairment, if any. The first step involves a comparison of the estimated fair value of a reporting unit with its carrying amount. If the estimated fair value of the reporting unit exceeds its carrying value, goodwill of the reporting unit is considered unimpaired. Conversely, if the carrying amount of the reporting unit exceeds its estimated fair value, the second step is performed to measure the amount of impairment, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by allocating the estimated fair value of the reporting unit to the estimated fair value of its existing assets and liabilities in a manner similar to a purchase price allocation. The unallocated portion of the

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estimated fair value of the reporting unit is the implied fair value of goodwill. If the implied fair value of goodwill is less than the carrying amount, an impairment loss, equivalent to the difference, is recorded as a reduction of goodwill and a charge to operating expense.

In the Company's annual test of goodwill for impairment on December 31, 2014, the Company estimated the fair value of the reporting units to which its goodwill had been allocated. For this purpose the Company used the trailing 10-year industry average rates for each vessel class, over the remaining useful life of each vessel, recognizing that the transportation drybulk products is cyclical in nature and is subject to wide fluctuation in rates, and management believes the use of a 10-year average is the best measure of future rates over the remaining useful life of the Company's fleet. Also for this purpose, the Company uses a utilization rate based on the Company's historic average. In addition, the Company expects to incur the following costs over the remaining useful lives of the vessels in the Company's fleet:

- Vessel operating costs based on historic and budgeted costs adjusted for inflation,
- Drydocking costs based on historic costs adjusted for inflation, and

- General and administrative costs adjusted for inflation.

The more significant factors which could impact management's assumptions regarding voyage revenues, drydocking costs and general and administrative expenses include, without limitation: (a) loss or reduction in business from the Company's significant customers; (b) changes in demand; (c) material declines in rates in the tanker market; (d) changes in production of or demand for drybulk products, generally or in particular regions; (e) greater than anticipated levels of new building orders or lower than anticipated rates of scrapping; (f) changes in rules and regulations applicable to the drybulk industry, including, without limitation, legislation adopted by international organizations such as the International Maritime Organization and the European Union or by individual countries; (g) actions taken by regulatory authorities; and (h) increases in costs including without limitation: crew wages, insurance, provisions, repairs and maintenance.

Step 1 of impairment testing as of December 31, 2014 consisted of determining and comparing the fair value of a reporting unit, calculated by weighting discounted expected future cash flows, the fair value of the vessels and other assets owned by the reporting unit and the fair value of the reporting units based on the public trading price of each reporting unit, to the carrying value of each reporting unit. Based on performance of this test, it was determined that the goodwill allocated to each reporting unit may be impaired.

The Company then undertook the second step of the goodwill impairment test which involves the procedures discussed above. For purposes of determining the fair value of each reporting unit, the Company ascribed a weight of 75% to a valuation method based on the fair value of the reporting unit's net assets; and 25% to the valuation method that utilized the public trading price of each reporting unit. There was no weight ascribed to a third valuation methodology considered by management, which was the discounted cash flow (DCF) valuation method due to the significant volatility in the drybulk rate market and the values derived by applying the DCF valuation method were not consistent with the other values derived in applying the other two valuation methodologies considered.

As a result of this testing, management determined that all of the goodwill allocated to the two reporting units was impaired, which resulted in a write-off at December 31, 2014 of \$166,067. This impairment is attributable to the progressive decline in vessel charter rates that occurred from the Effective Date to the Company's annual goodwill impairment test date of December 31, 2014, which included significant declines during the fourth quarter of 2014, which affected both the reporting units vessel values and their publicly traded stock prices.

Other than goodwill, the Company does not have any other intangible assets that are not amortized.

## 6 - VESSEL ACQUISITIONS

On July 2, 2013, Baltic Trading entered into agreements to purchase two Handysize drybulk vessels from subsidiaries of Clipper Group for an aggregate purchase price of \$41,000. The Baltic Hare, a 2009-built Handysize vessel, was delivered on September 5, 2013 and the Baltic Fox, a 2010-built Handysize vessel, was delivered on September 6, 2013. Baltic Trading financed the vessel purchases with proceeds from its May 28, 2013 common stock offering and borrowings under its \$22 Million Term Loan Facility entered into on August 30, 2013. Refer to Note 10 Debt below for further information regarding the Baltic Trading \$22 Million Term Loan Facility.

On October 31, 2013, Baltic Trading entered into agreements to purchase two Capesize drybulk vessels from affiliates of SK Shipping Co. Ltd. for an aggregate purchase price of \$103,000. The Baltic Lion, a 2012-built Capesize vessel, was delivered on December 27, 2013, and the Baltic

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Tiger, a 2011-built Capesize vessel, was delivered on November 26, 2013. Baltic Trading financed the vessel purchases with cash on hand and borrowings under its \$44 Million Term Loan Facility entered into on December 3, 2013. Refer to Note 10 Debt below for further information regarding the Baltic Trading \$44 Million Term Loan Facility.

On November 13, 2013, Baltic Trading entered into agreements to purchase up to four 64,000 dwt Ultramax newbuilding drybulk vessels from Yangfan Group Co., Ltd. for a purchase price of \$28,000 per vessel, or up to \$112,000 in the aggregate. Baltic Trading agreed to purchase two such vessels, to be renamed the Baltic Hornet and Baltic Wasp, and obtained an option to purchase up to two additional such vessels for the same purchase price, which Baltic Trading exercised on January 8, 2014. These vessels are to be renamed the Baltic Mantis and the Baltic Scorpion. The purchases are subject to completion of customary additional documentation and closing conditions. The first of these vessels, the Baltic Hornet, was delivered to Baltic Trading on October 29, 2014. The Baltic Wasp was delivered to Baltic Trading on January 2, 2015. The Baltic Scorpion and the Baltic Mantis are expected to be delivered to Baltic Trading during the second and third quarters of 2015, respectively. As of December 31, 2014 and December 31, 2013, deposits on vessels were \$25,593 and \$1,013, respectively. Baltic Trading intends to use a combination of cash on hand, future cash flow from

operations as well as debt or equity financing, including the 2014 Baltic Trading Term Loan Facilities and the Baltic Trading \$148 Million Credit Facility as described in Note 10 Debt, to fully finance the acquisition of these four Ultramax newbuilding drybulk vessels. On December 30, 2014, Baltic Trading paid \$19,645 for the final payment due for the Baltic Wasp, which has been classified as noncurrent Restricted Cash in the Consolidated Balance Sheets as of December 31, 2014 as the payment was held in an escrow account and not released to the seller until the vessel was delivered to Baltic Trading on January 2, 2015.

Refer to Note 1 General Information for a listing of the vessel delivery dates for the vessels in the Company's fleet and the estimated delivery dates for vessels that Baltic Trading has entered into agreements to purchase.

Below market time charters, including those acquired during previous periods, were amortized as an increase to voyage revenue by the Predecessor Company in the amount of \$68, \$334 and \$746 during the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, respectively. The remaining unamortized fair market value of Time charters acquired at December 31, 2013 was \$84. As part of fresh-start reporting, the remaining liability for below market time charters was written-off during the re-valuation of our liabilities, refer to Financial Statement Presentation section in Note 1 General Information.

Additionally, as part of fresh-start reporting, an asset for above market time charters was recorded in Time charters acquired in the amount of \$450 for the Genco Bourgogne, Genco Muse and Genco Spirit. These above market time charters were amortized as a decrease to voyage revenue by the Successor Company in the amount of \$450 during the period from July 9 to December 31, 2014. The remaining unamortized fair market value of Time charters acquired at December 31, 2014 is \$0.

Capitalized interest expense associated with the newbuilding contracts entered into by Baltic Trading as recorded by the Successor Company for the period from July 9 to December 31, 2014 was \$400. Capitalized interest expense associated with the newbuilding contracts entered into by Baltic Trading as recorded by the Predecessor Company for the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012 was \$295, \$0 and \$0, respectively

## 7 INVESTMENTS

The Company holds an investment in the capital stock of Jinhui and the stock of KLC. Jinhui is a drybulk shipping owner and operator focused on the Supramax segment of drybulk shipping. KLC is a marine transportation service company which operates a fleet of carriers which includes carriers for iron ore, liquefied natural gas and tankers for oil and petroleum products. These investments are designated as AFS and are reported at fair value, with unrealized gains and losses recorded in equity as a component of AOCI. At December 31, 2014 and 2013, the Company held 16,335,100 shares of Jinhui capital stock which is recorded at its fair value of \$26,414 and \$77,488, respectively, based on the closing price on December 30, 2014 and 2013, respectively. At December 31, 2014 and 2013, the Company held 3,355 shares of KLC stock which is recorded at its fair value of \$72 and \$82, respectively, based on the closing price on December 30, 2014 and 2013, respectively.

The Company reviews the investment in Jinhui and KLC for impairment on a quarterly basis. There were no impairment charges recognized during the period from July 9 to December 31, 2014, January 1 to July 9, 2014 or during the years ended December 31, 2013 and 2012.

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The unrealized gains (losses) for the Jinhui capital stock and KLC stock are a component of AOCI since these investments are designated as AFS securities. As part of fresh-start reporting, the Company revised its cost basis for its investments in Jinhui and KLC based on their fair values on the Effective Date.

Refer to Note 13 Accumulated Other Comprehensive Income (Loss) for a breakdown of the components of AOCI.

### 8 - NET (LOSS) INCOME PER SHARE

The computation of basic net (loss) income per share is based on the weighted-average number of common shares outstanding during the year. The computation of diluted net (loss) income per share assumes the vesting of nonvested stock awards (refer to Note 24 Stock-Based Compensation), for which the assumed proceeds upon vesting are deemed to be the amount of compensation cost attributable to future services and are not yet recognized using the treasury stock method, to the extent dilutive. Of the 1,110,600 and 0 nonvested shares outstanding at December 31, 2014 and July 9, 2014 for the Successor Company and Predecessor Company, respectively (refer to Note 24 Stock-Based Compensation), all are anti-dilutive. The Successor Company's diluted net (loss) income per share will also reflect the assumed conversion of the Equity Warrants and MIP Warrants issued by the Successor Company if the impact is dilutive under the treasury stock method. The Predecessor Company's diluted net (loss) income per share will also reflect the assumed conversion under the Predecessor Company's convertible debt if the impact is dilutive under the if converted method. The impact of the shares convertible under the Predecessor Company's convertible notes is excluded from the

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computation of diluted income per share when interest expense per common share obtainable upon conversion is greater than basic earnings per share.

The components of the denominator for the calculation of basic net (loss) income per share and diluted net (loss) income per share are as follows:

	Successor Period from July 9 to December 31, 2014	Period from January 1 to July 9, 2014	Predecessor  Year Ended December 31,	
			2013	2012
<b>Common shares outstanding, basic:</b>				
Weighted-average common shares outstanding, basic	60,360,515	43,568,942	43,249,070	41,727,075
<b>Common shares outstanding, diluted:</b>				
Weighted-average common shares outstanding, basic	60,360,515	43,568,942	43,249,070	41,727,075
Dilutive effect of warrants				
Dilutive effect of convertible notes				
Dilutive effect of restricted stock awards				
Weighted-average common shares outstanding, diluted	60,360,515	43,568,942	43,249,070	41,727,075

The following table sets forth a reconciliation of the net (loss) income attributable to GS&T and the net (loss) income attributable to GS&T for diluted net (loss) income per share under the if-converted method:

	Successor Period from July 9 to December 31, 2014	Period from January 1 to July 9, 2014	Predecessor  Year Ended December 31,	
			2013	2012
Net (loss) income attributable to GS&T	\$ (204,117)	\$ 793,291	\$ (147,741)	\$ (144,928)
Interest expense related to convertible notes, if dilutive				
Net (loss) income attributable to GS&T for the computation of diluted net (loss) income per share	\$ (204,117)	\$ 793,291	\$ (147,741)	\$ (144,928)

9 - RELATED PARTY TRANSACTIONS

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The following represent related party transactions reflected in these consolidated financial statements:

The Company makes available employees performing internal audit services to General Maritime Corporation ( GMC ), where the Company's Chairman, Peter C. Georgiopoulos, also serves as Chairman of the Board. For the period from July 9 to December 31, 2014, the Successor Company invoiced \$12 to GMC and for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012, the Predecessor Company invoiced \$72, \$145 and \$175, respectively, to GMC. The amounts billed to GMC include time associated with such internal audit services and other expenditures. Additionally, during the period from July 9 to December 31, 2014, the Successor Company incurred travel and other office related expenditures totaling \$53. For the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, the Predecessor Company incurred travel and other office related expenditures totaling \$49, \$133 and \$87, respectively. These amounts are reimbursable to GMC or its service provider. At December 31, 2014 and 2013, the amount due to GMC from the Company was \$41 and \$16, respectively.

During the period from July 9 to December 31, 2014, the Successor Company incurred legal services (primarily in connection with vessel acquisitions) aggregating \$11 from Constantine Georgiopoulos, the father of Peter C. Georgiopoulos, Chairman of the Board. Additionally, during the period from January 1 to July 9, 2014 and during the years ended December 31,



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2013 and 2012, the Predecessor Company incurred legal services aggregating \$3, \$48 and \$11, respectively, from Constantine Georgiopoulos. At December 31, 2014 and 2013, the amount due to Constantine Georgiopoulos was \$9 and \$25, respectively.

GS&T and Baltic Trading have entered into agreements with Aegean Marine Petroleum Network, Inc. ( Aegean ) to purchase lubricating oils for certain vessels in the their fleets. Peter C. Georgiopoulos, Chairman of the Board of the Company, is Chairman of the Board of Aegean. During the period from July 9 to December 31, 2014, Aegean supplied lubricating oils to the Successor Company s vessels aggregating \$790. Additionally, during the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, Aegean supplied lubricating oils to the Predecessor Company s vessels aggregating \$1,087, \$1,521 and \$1,517, respectively. At December 31, 2014 and 2013, \$267 and \$263 remained outstanding, respectively.

During the period from July 9 to December 31, 2014, the Successor Company invoiced MEP for technical services provided and expenses paid on MEP s behalf aggregating \$1,618. During the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, the Predecessor Company invoiced MEP for technical services provided and expenses paid on MEP s behalf aggregating \$1,743, \$3,430 and \$3,396, respectively. Peter C. Georgiopoulos, Chairman of the Board, controls and has a minority interest in MEP. At December 31, 2014 and 2013, \$10 and \$7, respectively, was due to the Company from MEP. Total service revenue earned by the Successor Company for the technical service provided to MEP for the period from July 9 to December 31, 2014 was \$1,584. Total service revenue earned by the Predecessor Company for technical services provided to MEP for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012 was \$1,701, \$3,285 and \$3,294, respectively.

### 10 - DEBT

Long-term debt consists of the following:

	<b>Successor December 31, 2014</b>	<b>Predecessor December 31, 2013</b>
2007 Credit Facility	\$	\$ 1,055,912
\$100 Million Term Loan Facility	67,792	75,484
\$253 Million Term Loan Facility	165,568	180,793
2010 Baltic Trading Credit Facility	102,250	102,250
Baltic Trading \$22 Million Term Loan Facility	20,125	21,625
Baltic Trading \$44 Million Term Loan Facility	41,250	44,000
2014 Baltic Trading Term Loan Facilities	33,150	
Less: Current portion	(34,324)	(1,316,439)
Long-term debt	\$ 395,811	\$ 163,625

### Bankruptcy Proceedings

To allow discussions with the Company s creditors concerning the Company s restructuring to continue into April 2014 without the need to file for immediate bankruptcy relief, on March 31, 2014, the Company entered into agreements with certain of the lenders under our 2007 Credit Facility, our \$100 Million Term Loan Facility, and our \$253 Million Term Loan Facility (our Credit Facilities ) to obtain waivers or forbearances

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with respect to certain potential or actual events of default as of March 31, 2014 as follows (the Relief Agreements ):

- not making the scheduled amortization payment on March 31, 2014 under our 2007 Credit Facility;
- not meeting the consolidated interest ratio covenant for the period ended March 31, 2014;
- not meeting the maximum leverage ratio covenant for the period ending March 31, 2014;
- not meeting the collateral maintenance test under the 2007 Credit Facility;
- not meeting the minimum cash balance covenant under the 2007 Credit Facility;

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