

Eagle Bulk Shipping Inc.  
Form 10-Q  
May 15, 2015

---

---

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

---

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from to

---

**Commission File Number 001-33831**

**EAGLE BULK SHIPPING INC.**

(Exact name of Registrant as specified in its charter)

**Republic of the Marshall Islands**

(State or other jurisdiction of incorporation or organization)

**98-0453513**

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

**477 Madison Avenue**

**New York, New York 10022**

(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: **(212) 785-2500**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated Filer  Accelerated Filer  Non-accelerated Filer  Smaller reporting company

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

YES  NO

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

Common Stock, par value \$0.01 per share, 37,879,712 shares outstanding as of May 15, 2015.

---

---

---

**TABLE OF CONTENTS**

|  | <u>Page</u> |
|--|-------------|
| <b>PART I FINANCIAL INFORMATION</b>  |             |
| <b>Item 1. Financial Statements (unaudited)</b>  |             |
| Consolidated Balance Sheets as of March 31, 2015 and December 31, 2014                               | F-1         |
| Consolidated Statements of Operations for the three months ended March 31, 2015 and 2014             | F-2         |
| Consolidated Statements of Comprehensive Loss for the three months ended March 31, 2015 and 2014     | F-3         |
| Consolidated Statement of Stockholders' Equity for the three months ended March 31, 2015             | F-4         |
| Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and 2014             | F-5         |
| Notes to Consolidated Financial Statements   | F-6         |
| <b>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</b> | <b>1</b>    |
| <b>Item 3. Quantitative and Qualitative Disclosures about Market Risks</b>                           | <b>10</b>   |
| <b>Item 4. Controls and Procedures</b>   | <b>11</b>   |
| <b>PART II OTHER INFORMATION</b>   |             |
| Item 1. Legal Proceedings  | 11          |
| Item 1A. Risk Factors  | 11          |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds                                  | 11          |
| Item 3. Defaults upon Senior Securities  | 11          |
| Item 4. Mine Safety Disclosures  | 12          |
| Item 5. Other Information  | 12          |
| Item 6. Exhibits   | 12          |
| Signatures   | 13          |

**Part 1 : FINANCIAL INFORMATION****Item 1 : Financial Statements****EAGLE BULK SHIPPING INC.****CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

|   | <b>Successor<br/>March 31,<br/>2015</b> | <b>December<br/>31, 2014</b> |
|---|---|------------------------------|
| <b>ASSETS:</b>  |   |                              |
| <b>Current assets:</b>  |   |                              |
| Cash and cash equivalents   | \$24,404,769                            | \$39,975,287                 |
| Accounts receivable, net  | 10,898,215                              | 14,731,301                   |
| Prepaid expenses  | 2,497,485                               | 3,212,930                    |
| Inventories   | 6,422,227                               | 5,749,273                    |
| Investment  | 7,941,188                               | 8,300,740                    |
| Other assets  | 3,673,482                               | 4,621,312                    |
| Total current assets  | 55,837,366                              | 76,590,843                   |
| <b>Noncurrent assets:</b>   |   |                              |
| Vessels and vessel improvements, at cost, net of accumulated depreciation of \$19,014,885 and \$8,766,830, respectively | 824,543,570                             | 834,052,684                  |
| Other fixed assets, net of accumulated amortization of \$88,184 and \$118,232, respectively                             | 210,158                                 | 230,805                      |
| Restricted cash   | 66,243                                  | 66,243                       |
| Deferred drydock costs  | 4,735,780                               | 1,960,792                    |
| Deferred financing costs  | 522,412                                 | 550,753                      |
| Other assets  | 424,702                                 | 424,702                      |
| Total noncurrent assets   | 830,502,865                             | 837,285,979                  |
| <b>Total assets</b>   | <b>\$886,340,231</b>                    | <b>\$913,876,822</b>         |
| <b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>   |   |                              |
| <b>Current liabilities:</b>   |   |                              |
| Accounts payable  | \$7,803,418                             | \$11,663,697                 |
| Accrued interest  | 566,800                                 | 531,918                      |
| Other accrued liabilities   | 10,280,894                              | 9,142,229                    |
| Fair value below contract value of time charters acquired   | 1,653,195                               | 1,648,740                    |
| Unearned charter hire revenue   | 1,512,902                               | 2,389,595                    |
| Current portion of long-term debt   | 15,625,000                              | 15,625,000                   |
| Total current liabilities   | 37,442,209                              | 41,001,179                   |
| <b>Noncurrent liabilities:</b>  |   |                              |
|   | 200,896,762                             | 204,106,928                  |

Edgar Filing: Eagle Bulk Shipping Inc. - Form 10-Q

|   |                      |                      |
|---|----------------------|----------------------|
| Long-term debt  |                      |                      |
| Fair value below contract value of time charters acquired   | 4,338,264            | 4,678,049            |
| Total noncurrent liabilities  | 205,235,026          | 208,784,977          |
| <b>Total liabilities</b>  | <b>242,677,235</b>   | <b>249,786,156</b>   |
| Commitment and contingencies  |                      |                      |
| <b>Stockholders' equity:</b>  |                      |                      |
| Common stock, \$.01 par value, 150,000,000 shares authorized, 37,639,352 and 37,504,541 shares issued and outstanding, respectively | 376,394              | 375,045              |
| Additional paid-in capital  | 675,861,946          | 675,264,349          |
| Retained earnings   | (32,215,792 )        | (11,548,728 )        |
| Accumulated Other Comprehensive Income  | (359,552 )           | —                    |
| Total stockholders' equity  | 643,662,996          | 664,090,666          |
| Total liabilities and stockholders' equity  | <b>\$886,340,231</b> | <b>\$913,876,822</b> |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**EAGLE BULK SHIPPING INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)**

|                                      | <b>Three Months Ended</b> |                           |
|--------------------------------------|---------------------------|---------------------------|
|                                      | <b>Successor</b>          | <b>Predecessor</b>        |
|                                      | <b>March 31,<br/>2015</b> | <b>March 31,<br/>2014</b> |
| Revenues, net of commissions         | \$26,331,166              | \$45,795,391              |
| Voyage expenses                      | 5,182,175                 | 3,837,278                 |
| Vessel expenses                      | 21,944,711                | 22,577,518                |
| Charter hire expenses                | 1,215,964                 | -                         |
| Depreciation and amortization        | 10,557,171                | 19,077,813                |
| General and administrative expenses  | 4,938,998                 | 3,122,933                 |
| Total operating expenses             | 43,839,019                | 48,615,542                |
| Operating loss                       | (17,507,853)              | (2,820,151 )              |
| Interest expense                     | 3,162,166                 | 19,773,619                |
| Interest income                      | (2,955 )                  | (3,884 )                  |
| Total other expense, net             | 3,159,211                 | 19,769,735                |
| Net loss                             | \$(20,667,064)            | \$(22,589,886)            |
| Weighted average shares outstanding: |                           |                           |
| Basic                                | 37,527,010                | 17,080,190                |
| Diluted                              | 37,527,010                | 17,080,190                |
| Per share amounts:                   |                           |                           |
| Basic net loss                       | \$(0.55 )                 | \$(1.32 )                 |
| Diluted net loss                     | \$(0.55 )                 | \$(1.32 )                 |

The accompanying notes are an integral part of these Consolidated Financial Statements.

**EAGLE BULK SHIPPING INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

**(UNAUDITED)**

|   | <b>Three Months Ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>Successor</b>          | <b>Predecessor</b>        |
|   | <b>March 31,<br/>2015</b> | <b>March 31,<br/>2014</b> |
| Net loss                                | \$(20,667,064)            | \$(22,589,886)            |
| Other comprehensive loss:               |                           |                           |
| Change in unrealized loss on investment | (359,552 )                | (2,101,646 )              |
| Total other comprehensive loss          | (359,552 )                | (2,101,646 )              |
| Comprehensive loss                      | \$(21,026,616)            | \$(24,691,532)            |

The accompanying notes are an integral part of these Consolidated Financial Statements



**EAGLE BULK SHIPPING INC.****CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)****FOR THE THREE MONTHS ENDED MARCH 31, 2015**

|  | Common<br>Share   | Common<br>Shares<br>Amount | Additional<br>paid-in<br>Capital | Net Loss       | Accumulated<br>Deficit | Other<br>Comprehensive<br>Loss | Total<br>Stockholders'<br>Equity |
|--|-------------------|----------------------------|----------------------------------|----------------|------------------------|--------------------------------|----------------------------------|
| <b>Balance at<br/>December 31,<br/>2014<br/>(Successor)</b>                          | <b>37,504,541</b> | <b>\$375,045</b>           | <b>\$675,264,349</b>             |                | <b>\$(11,548,728)</b>  |                                | <b>\$664,090,666</b>             |
| Net loss   | —                 | —                          | —                                | \$(20,667,064) | (20,667,064)           |                                | (20,667,064)                     |
| Change in<br>unrealized loss<br>on investment  | —                 | —                          | —                                | —              | —                      | \$(359,552)                    | \$(359,552)                      |
| Vesting of<br>restricted<br>shares, net of<br>shares<br>withheld for<br>employee tax | 134,811           | 1,349                      | (1,286,855)                      | —              | —                      | —                              | (1,285,506)                      |
| Non-cash<br>compensation   | —                 | —                          | 1,884,452                        | —              | —                      | —                              | 1,884,452                        |
| <b>Balance at<br/>March 31,<br/>2015<br/>(Successor)</b>                             | <b>37,639,352</b> | <b>\$376,394</b>           | <b>\$675,861,946</b>             |                | <b>\$(32,215,792)</b>  | <b>\$(359,552)</b>             | <b>\$643,662,996</b>             |

The accompanying notes are an integral part of these Consolidated Financial Statements.



**EAGLE BULK SHIPPING INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

|  | <b>Three Months Ended</b> |                     |
|--|---------------------------|---------------------|
|  | <b>Successor</b>          | <b>Predecessor</b>  |
|  | March 31,<br>2015         | March 31,<br>2014   |
| <b>Cash flows from operating activities:</b>   |                           |                     |
| Net loss   | \$(20,667,064)            | \$(22,589,886)      |
| <i>Adjustments to reconcile net loss to net cash provided by operating activities:</i> |                           |                     |
| Depreciation   | 10,271,775                | 18,413,964          |
| Amortization of deferred drydocking costs  | 285,396                   | 663,849             |
| Amortization of deferred financing costs   | 28,341                    | 2,015,777           |
| Amortization of discount on Exit Facility  | 696,084                   | -                   |
| Amortization of fair value below contract value of time charter acquired               | (335,330 )                | -                   |
| Payment-in-kind interest on debt   | -                         | 7,337,775           |
| Non-cash compensation expense  | 1,884,452                 | 279,743             |
| Drydocking expenditures  | (3,060,384 )              | (870,303 )          |
| <i>Changes in operating assets and liabilities:</i>                                    |                           |                     |
| Accounts receivable  | 3,833,086                 | (2,524,494 )        |
| Other assets   | 947,830                   | (2,301,153 )        |
| Prepaid expenses   | 715,445                   | (2,317,078 )        |
| Inventories  | (672,954 )                | 2,875,171           |
| Accounts payable   | (3,860,279 )              | (1,804,245 )        |
| Accrued interest   | 34,882                    | (1,746 )            |
| Accrued expenses   | 1,138,665                 | 1,520,243           |
| Unearned revenue   | (876,693 )                | (532,203 )          |
| <b>Net cash (used in) / provided by operating activities</b>                           | <b>(9,636,748 )</b>       | <b>165,414</b>      |
| <b>Cash flows from investing activities:</b>   |                           |                     |
| Vessel Improvements  | (742,014 )                | -                   |
| Purchase of other fixed assets   | -                         | (20,532 )           |
| <b>Net cash used in investing activities</b>   | <b>(742,014 )</b>         | <b>(20,532 )</b>    |
| <b>Cash flows from financing activities:</b>   |                           |                     |
| Repayment of Term Loan   | (3,906,250 )              | -                   |
| Cash used to settle net share equity awards  | (1,285,506 )              | -                   |
| <b>Net cash used in financing activities</b>   | <b>(5,191,756 )</b>       | <b>-</b>            |
| Net increase (decrease) in cash  | (15,570,518)              | 144,882             |
| Cash at beginning of period  | 39,975,287                | 19,682,724          |
| <b>Cash at end of period</b>   | <b>\$24,404,769</b>       | <b>\$19,827,606</b> |

The accompanying notes are an integral part of these Consolidated Financial Statements.

F-5

---

**EAGLE BULK SHIPPING INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****Note 1. Basis of Presentation and General Information**

The accompanying consolidated financial statements include the accounts of Eagle Bulk Shipping Inc. and its wholly-owned subsidiaries (collectively, the “Company”, “we” or “our”). The Company is engaged in the ocean transportation of dry bulk cargoes worldwide through the ownership, chartering and operation of dry-bulk vessels. The Company's fleet is comprised of Supramax and Handymax dry bulk carriers and the Company operates its business in one business segment.

The Company is a holding company incorporated in 2005 under the laws of the Republic of the Marshall Islands and is the sole owner of all of the outstanding shares or limited liability company interests of its subsidiaries. The primary activity of each of the subsidiaries, other than the Company's management subsidiaries, is the ownership of a vessel. The operations of the vessels are managed by a wholly-owned subsidiary of the Company, Eagle Shipping International (USA) LLC, a Republic of the Marshall Islands limited liability company.

As of March 31, 2015, the Company owned and operated a modern fleet of 45 oceangoing vessels, 43 Supramax and 2 Handymax, with a combined carrying capacity of 2,451,259 dwt and an average age of approximately 8.1 years. The Company also chartered in a Handylog beginning October 2, 2014 for a period of 7 years.

The following table represents certain information about the Company's charterers which individually accounted for more than 10% of the Company's gross charter revenue during the periods indicated:

| Charterer    | % of Consolidated<br>Charter Revenue<br>Three Months<br>Ended |                                  |
|--------------|---|----------------------------------|
|              | Successor<br>March<br>31,<br>2015                             | Predecessor<br>March 31,<br>2014 |
| Charterer A  | -   | 13.3%                            |
| Charterer B* | 28.4%   | 16.0%                            |

\*Charter revenue from a pool that the Company participates.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”), and the rules and regulations of the Securities and Exchange Commission (“SEC”) which apply to interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes normally included in consolidated financial statements prepared in conformity with U.S. GAAP. They should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2014 Annual Report on Form 10-K, filed with the SEC on April 2, 2015.

The accompanying unaudited consolidated financial statements include all adjustments (consisting of normal recurring adjustments) that management considers necessary for a fair statement of its consolidated financial position and results of operations for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the entire year.

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates and assumptions of the Company are stock-based compensation, the useful lives of fixed assets, depreciation and amortization, the allowances for bad debt and warrants.

### *Bankruptcy Filing*

On August 6, 2014, the Company entered into a restructuring support agreement (the “Restructuring Support Agreement”) with lenders constituting the “Majority Lenders” (as such term is defined in the Company’s Fourth Amended and Restated Credit Agreement, dated June 20, 2012 (the “Credit Agreement”)) under its Credit Agreement (the “Consenting Lenders”), which contemplated a plan of reorganization through a balance sheet restructuring of the Company’s obligations upon the terms specified therein. On the same day, the Company filed a voluntary prepackaged case (the “Prepackaged Case”) under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Court”). The Prepackaged Case was filed only in respect of the parent company, Eagle Bulk Shipping Inc., but not any of its subsidiaries. Through the Prepackaged Case, the Company sought to implement a balance sheet restructuring pursuant to the terms of its prepackaged plan of reorganization filed with the Court (the “Plan”). The Company continued to operate its business as a “debtor in possession” under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court.



The commencement of the Prepackaged Case constituted an event of default that accelerated the Company's obligations under the Credit Agreement, subject to an automatic stay of any action to collect, assert or recover a claim against the Company and the application of the applicable provisions of the Bankruptcy Code.

As part of the Prepackaged Case, the Company obtained debtor-in-possession financing (the "DIP Loan Facility"), as further described below, pursuant to authorization from the Court. The Company funded its ongoing operations during the pendency of the Prepackaged Case through available borrowings under the DIP Loan Facility as well as cash generated from operations.

Subsequent to the filing of the Prepackaged Case, the Company received approval from the Court to continue using its existing cash management system and to pay or otherwise honor certain pre-petition obligations generally designed to stabilize the Company's operations, such as certain employee wages, salaries and benefits, certain taxes and fees, customer obligations, obligations to logistics providers and pre-petition amounts owed to certain critical vendors. The Company continued to honor payments to vendors and other providers in the ordinary course of business for goods and services received after the filing date of the Prepackaged Case. The Company retained legal and financial professionals to advise the Company in connection with the Prepackaged Case and certain other professionals to provide services and advice in the ordinary course of business.

On September 22, 2014, the Court entered an order (the "Confirmation Order") confirming the Plan. On October 15, 2014 (the "Effective Date"), the Company completed its balance sheet 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 included:

Entry into a new senior secured credit facility (the "Exit Financing Facility") as of October 9, 2014, in the amount of \$275 million (inclusive of a \$50 million revolving credit facility).

The cancellation of all outstanding equity interests in the Company as of the Effective Date, with the current holders of such equity interests (other than the Consenting Lenders on account of certain warrants held by them or shares of common stock received upon conversion of such warrants ) receiving (i) shares of the reorganized Company's common stock ("New Eagle Common Stock") equal to 0.5% of the total number of shares of New Eagle Common Stock issued and outstanding on the Effective Date (subject to dilution by the New Eagle Equity Warrants (as defined below) and the Management Incentive Program (as defined below)), and (ii) an aggregate of 3,045,327 New Eagle Equity Warrants. Each New Eagle Equity Warrant will have a 7-year term (commencing on the Effective Date) and will be exercisable for one share of New Eagle Common Stock (subject to adjustment as set forth in the New Eagle Equity Warrant Agreement and dilution by the Management Incentive Program).



The extinguishment of all loans and other obligations under the Credit Agreement as of the Effective Date, with the current holders thereof receiving (i) shares of New Eagle Common Stock equal to 99.5% of the total number of shares of New Eagle Common Stock issued and outstanding on the Effective Date, subject to dilution by the New Eagle Equity Warrants and the Management Incentive Program, and (ii) a cash distribution as contemplated by the Plan. On the Effective Date, the Credit Agreement was terminated, and the liens and mortgages thereunder were released.

All claims of unsecured creditors of Eagle Bulk Shipping Inc. were unaffected and will be paid in full in the ordinary course of business.

The establishment of a Management Incentive Program (the “Management Incentive Program”) that provides senior management and certain other employees of the reorganized Company with 2% of the New Eagle Common Stock (on a fully diluted basis) on the Effective Date, and two tiers of options to acquire 5.5% of the New Eagle Common Stock (on a fully diluted basis) with different strike prices based on the equity value for the reorganized Company and a premium to the equity value, each of the foregoing to vest generally over a four year schedule through 25% annual installments commencing on the first anniversary of the Effective Date. The Management Incentive Program also provides for the reservation of certain additional shares for future issuance thereunder, as further described in the Plan.

The Plan also provided for certain releases of various parties by certain holders of claims against and equity interests in the Company.

### Exit Financing Facility

On October 9, 2014, Eagle Bulk Shipping Inc., as borrower, and certain of its subsidiaries, as guarantors, entered into the Exit Financing Facility with certain lenders (the “Exit Lenders”). The Exit Financing Facility is in the amount of \$275 million, including a \$50 million undrawn revolving credit facility, and matures on October 15, 2019. A fee of \$5.5 million was paid to the lenders in connection with the Exit Financing Facility. Amounts drawn under the Exit Financing Facility bear interest at a rate of LIBOR plus a margin ranging between 3.50% and 4.00% per annum. The revolving credit facility is subject to an annual commitment fee of 40% of the margin. The Exit Financing Facility is described further in Note 5 below.

### Registration Rights Agreement

On the Effective Date, and in accordance with the Plan, the Company entered into the Registration Rights Agreement with certain parties that received shares of New Eagle Common Stock under the Plan. The Registration Rights Agreement provided such parties with demand and piggyback registration rights.

### New Eagle Equity Warrant Agreement

On the Effective Date, and in accordance with the Plan, the Company issued new equity warrants (the “New Eagle Equity Warrants”) pursuant to the terms of the warrant agreement (the “New Eagle Equity Warrant Agreement”). Each New Eagle Equity Warrant has a 7-year term (commencing on the Effective Date) and are exercisable for one share of New Eagle Common Stock (subject to adjustment as set forth in the New Eagle Equity Warrant Agreement and dilution by the Management Incentive Program). The New Eagle Equity Warrants are exercisable at an exercise price of \$27.82 per share (subject to adjustment as set forth in the New Eagle Equity Warrant Agreement). The New Eagle 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.

### *FRESH START ACCOUNTING*

#### Financial Statement Presentation

Upon the Company’s emergence from the Prepackaged Case on October 15, 2014, the Company adopted fresh-start accounting in accordance with provisions of ASC 852, *Reorganizations* (“ASC 852”). Upon adoption of fresh-start

accounting, the Company's assets and liabilities were recorded at their fair value as of October 15, 2014, 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 of fresh-start accounting may materially affect its results of operations following the fresh-start reporting date, 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 accounting. As a result of the adoption of fresh-start reporting, the Company's consolidated balance sheets and condensed consolidated statements of operations for periods subsequent to October 15, 2014 will not be comparable in many respects to our condensed consolidated balance sheets and condensed consolidated statements of operations for periods prior to October 15, 2014.

Under ASC 852, fresh-start accounting 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 accounting as of the Effective Date. Adopting fresh-start accounting results in a new reporting entity with no beginning retained earnings or deficits. The cancellation of all existing shares outstanding on the Effective Date and issuance of new shares of the reorganized entity caused a change of control of the Company under ASC 852.

## **Note 2. New 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 the adoption of this standard on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity." This ASU is intended to provide guidance for situations in which the fair value of the financial assets of a collateralized financing entity differ from the fair value of its financial liabilities. The provisions of this ASU are effective for interim and annual periods beginning after December 15, 2015. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, “Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.” This ASU establishes specific guidance to an organization's management on their responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern. The provisions of this ASU are effective for interim and annual periods beginning after December 15, 2016. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

In April 2015, the FASB issued ASU No.2015-3, “Simplifying the Presentation of Debt Issuance Costs”. The new guidance specifies that debt issuance costs under the new standard are to be netted against the carrying value of the financial liability. The guidance should be applied on a retrospective basis. The effective date of the new guidance is for fiscal years beginning after December 15, 2015. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

**Note 3. Vessels**

*Vessel and Vessel Improvements*

At March 31, 2015, the Company’s operating fleet consisted of 45 drybulk vessels. At October 15, 2014, the Company’s vessels were adjusted to a fair value aggregating \$842,625,000 as part of fresh start accounting. The fair values were based primarily on valuations obtained from third-party specialists principally utilizing the market value approach.

Vessel and vessel improvements consist of the following:

Successor

|   |               |
|---|---------------|
| Vessels and Vessel Improvements, at December 31, 2014 | \$834,052,684 |
| Improvements  | 738,941       |
| Depreciation Expense                                  | (10,248,055 ) |
| Vessels and Vessel Improvements, at March 31, 2015    | \$824,543,570 |

In April 2015, the Company decided to sell the Kite, a 1997-built Handymax, and reached an agreement to sell the vessel for \$4,297,100 after brokerage commissions payable to a third party. The Kite was not available for delivery before April 29, 2015. On May 7, 2015 the Company sold the vessel and expects to realize a net loss of approximately \$5.7 million in the second quarter of 2015.

**Note 4. Investment***Korea Line Corporation*

The Company's investment in capital stock of the Korea Line Corporation ("KLC") is designated as Available For Sale ("AFS") and is reported at its fair value, with unrealized gains and losses recorded in equity as a component of accumulated other comprehensive income (loss) ("AOCI"). The fair value of the KLC shares are determined from the market price as quoted on the Korean Stock Exchange and by converting the South-Korean Won ("KRW") extended value into USD with the exchange rate applicable on date of conversion. The Company reviews the investment in KLC for impairment on a quarterly basis.

The Company concluded that for the Successor Company as of March 31, 2015 and for the Predecessor Company as of March 30, 2014, the change in the fair value of the KLC investment was "temporary". The Company recorded unrealized losses of \$0.4 million and \$2.1 million as of March 31, 2015 and 2014, respectively, in shareholders' equity as a component of Accumulated Other Comprehensive Income.

The following table provides information on the Company's investment in KLC capital stock which is recorded at fair value:

|   | No. of<br>KLC<br>Shares | Cost<br>Basis-Adjusted | Fair Value           | Unrealized<br>Gain/(Loss)<br>reported in<br>OCI | Other-than<br>Temporary<br>Loss<br>reported<br>in<br>Earnings-YTD | Gain/(Loss)<br>On<br>Sale of<br>KLC<br>Stock-YTD |
|---|-------------------------|------------------------|----------------------|---|---|--|
| <b>Balance at December 31, 2013<br/>(Predecessor)</b> | <b>566,529</b>          | <b>\$ 13,817,439</b>   | <b>\$ 13,817,439</b> | -   | -   | -  |
| Fair Value-Adjustments, net                           | -                       | -                      | (2,101,646 )         | (2,101,646)                                     | -   | -  |
| <b>Balance at March 31, 2014<br/>(Predecessor)</b>    | <b>566,529</b>          | <b>\$ 13,817,439</b>   | <b>\$ 11,715,793</b> | <b>\$ (2,101,646)</b>                           | -   | -  |
| <b>Balance at December 31, 2014<br/>(Successor)</b>   | <b>387,453</b>          | <b>\$ 8,300,740</b>    | <b>\$ 8,300,740</b>  | -   | -   | -  |
| Fair Value-Adjustments, net                           | -                       | -                      | (359,552 )           | (359,552 )                                      | -   | -  |

|  |                |                     |                     |                      |          |          |
|--|----------------|---------------------|---------------------|----------------------|----------|----------|
| <b>Balance at March 31, 2015<br/>(Successor)</b> | <b>387,453</b> | <b>\$ 8,300,740</b> | <b>\$ 7,941,188</b> | <b>\$ (359,552 )</b> | <b>-</b> | <b>-</b> |
|--|----------------|---------------------|---------------------|----------------------|----------|----------|

F-9

---

**Note 5. Debt**

Debt consists of the following:

|                       | Successor        |                 |
|-----------------------|------------------|-----------------|
|                       | <b>March 31,</b> | <b>December</b> |
|                       | <b>2015</b>      | <b>31, 2014</b> |
| Exit Facility         | \$ 221,093,750   | \$ 225,000,000  |
| Discount on Facility  | (4,571,988 )     | (5,268,072 )    |
| Less: Current Portion | (15,625,000 )    | (15,625,000 )   |
| Total debt            | \$ 200,896,762   | \$ 204,106,928  |

*Exit Financing Facility*

On October 9, 2014, the Company entered into the Exit Financing Facility with the Exit Lenders. The Exit Financing Facility is in the amount of \$275 million, including a \$50 million undrawn revolving credit facility, and matures on October 15, 2019. Amounts drawn under the Exit Financing Facility bear interest at a rate of LIBOR plus the margin. The revolving credit facility is subject to an annual commitment fee of 40% of the margin.

The Company's obligations under the Exit Financing Facility are secured by a first priority mortgage on each of the vessels in its fleet and such other vessels that it may from time to time include with the approval of the Exit Lenders, a first assignment of its earnings account, its liquidity account and its vessel-owning subsidiaries' earnings accounts, a first assignment of all charters (having a term which is not reasonably likely to exceed 18 months), freights, earnings, insurances, requisition compensation and management agreements with respect to the vessels and a first priority pledge of the membership interests of each of its vessel-owning subsidiaries. The Company may grant additional security to the Exit Lenders from time to time in the future.

The Exit Financing Facility contains financial covenants requiring the Company, among other things, to ensure that: the aggregate market value of the vessels in the Company's fleet at all times does not fall below between 150% and 165% of the aggregate principal amount of debt outstanding under the Exit Financing Facility; the total financial indebtedness of the Company and all of its subsidiaries on a consolidated basis divided by the sum of (i) the total shareholders' equity for the Company and all of its subsidiaries (minus goodwill and other non-tangible items) and (ii) the total financial indebtedness of the Company and all of its subsidiaries on a consolidated basis, shall not be more than 0.65; the aggregate of the Company's and its subsidiaries' EBITDA will not be less than 2.5x of the aggregate amount of interest incurred and net amounts payable under interest rate hedging arrangements during the relevant particular period; and the Company maintains a minimum liquidity of not less than the greater of (i) \$20,000,000 and (ii) \$500,000 per vessel in the Company's fleet.

In addition, the Exit Financing Facility also imposes operating restrictions on the Company including limiting the Company's ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; acquire and sell capital assets (including vessels); merge or consolidate with, or transfer all or substantially all of the Company's assets to, another person; and enter into a new line of business. The Company shall repay the Exit Financing Facility in 20 equal consecutive quarterly repayment installment each in an amount of U.S. \$3,906,250.

The Exit Financing Facility also includes customary events of default, including those relating to a failure to pay principal or interest, a breach of covenant, representation or warranty, a cross-default to other indebtedness and non-compliance with security documents. Further, there would be a default if any event occurs or circumstances arise in light of which, in the Exit Lenders' judgment, there is significant risk that the Company is or would become insolvent. The Company is not permitted to pay dividends if there is a default or a breach of a loan covenant under the Exit Financing Facility or if the payment of the dividends would result in a default or breach of a loan covenant. Indebtedness under the Exit Financing Facility may also be accelerated if the Company experiences a change of control.

For the period ended March 31, 2015, interest rates on our outstanding debt ranged from 4.04% to 4.05%, including a margin over LIBOR applicable under the terms of the amended credit facility and commitment fees of 40% of the margin on the undrawn portion of the facility. The weighted average effective interest rate was 5.29%.



For the three months ended March 31, 2014, interest rates on the outstanding debt ranged from 3.73% to 3.61%, including a margin of 3.50% over LIBOR and commitment fees of 0.70% on the undrawn portion of the facility. The weighted average effective interest rate for the three months ended March 31, 2014, was 3.65%.

Interest Expense consisted of:

|  | <b>Successor<br/>March 31,<br/>2015</b> | <b>Predecessor<br/>March 31,<br/>2014</b> |
|--|---|---|
| Exit Financing Facility Interest                   | \$2,437,741                             |   |
| Amortization of Facility Deferred Financing Costs  | 28,341                                  |   |
| Amortization of Discount on Facility               | 696,084                                 |   |
| Term loan Interest                                 | -                                       | \$17,757,842                              |
| Amortization of Term Loan Deferred Financing Costs | -                                       | 2,015,777                                 |
| <b>Total Interest Expense</b>                      | <b>\$3,162,166</b>                      | <b>\$19,773,619</b>                       |

Interest paid, amounted to \$2,402,859 for the three months ended March 31, 2015 and \$10,421,812 exclusive of PIK loans for the three months ended March 31, 2014.

## **Note 6. Derivative Instruments and Fair Value Measurements**

### *Cash Collateral Disclosures*

The Company does not offset fair value amounts recognized for derivatives by the right to reclaim cash collateral or the obligation to return cash collateral. The amount of collateral to be posted is defined by the terms of the respective master agreement executed with counterparties or exchanges and is required when agreed upon threshold limits are exceeded. As of March 31, 2015 and December 31, 2014, the Company had no outstanding amounts paid as collateral related to the derivative fair value positions.

### *Fair Value Measurements*

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

*Cash, cash equivalents and restricted cash*—the carrying amounts reported in the consolidated balance sheet for interest-bearing deposits approximate their fair value due to their short-term nature thereof.

*Debt*—the carrying amounts of borrowings under the revolving credit agreement approximate their fair value, due to the variable interest rate nature thereof.

*Investment*—include our available-for-sale securities that are traded in active market internationally. The fair value is measured by using closing stock price from active market.

The Company defines fair value, establishes a framework for measuring fair value and provides disclosures about fair value measurements. The fair value hierarchy for disclosure of fair value measurements is as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Our Level 1 non-derivatives include cash, money-market accounts, restricted cash accounts and investment.

Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable. Our Level 2 non-derivatives include our term loan account.

Level 3 – Inputs that are unobservable (for example cash flow modeling inputs based on assumptions).

The following table summarizes assets and liabilities measured at fair value on a recurring basis at March 31, 2015 and December 31, 2014:

|                | <b>Successor</b>      |                |                | <b>December 31, 2014</b> |                |                |
|----------------|-----------------------|----------------|----------------|--------------------------|----------------|----------------|
|                | <b>March 31, 2015</b> |                |                |                          |                |                |
|                | <b>Level 1</b>        | <b>Level 2</b> | <b>Level 3</b> | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> |
| <b>Assets:</b> |                       |                |                |                          |                |                |
| Investment     | \$7,941,188           | —              | —              | \$8,300,740              | —              | —              |

## **Note 7. Commitments and Contingencies**

### *Legal Proceedings*

The Company is involved in legal proceedings and may become involved in other legal matters arising in the ordinary course of its business. The Company evaluates these legal matters on a case-by-case basis to make a determination as to the impact, if any, on its business, liquidity, results of operations, financial condition or cash flows.

### *Vessel Technical Management Contract*

The Company has technical management agreements for certain of its vessels with independent technical managers. The Company paid average monthly technical management fees of \$11,042 and \$10,708 per vessel during the three months ended March 31, 2015 and 2014, respectively.

## **Note 8. Related Party Transactions**

On August 4, 2009, the Company entered into a management agreement (the "Management Agreement") with Delphin Shipping LLC ("Delphin"), a Marshall Islands limited liability company affiliated with Kelso Investment Associates VII, KEP VI, LLC and the Company's former Chief Executive Officer, Sophocles Zoullas. Delphin was formed for the purpose of acquiring and operating dry bulk and other vessels. Under the terms of the Management Agreement, the Company provided commercial and technical supervisory vessel management services to dry bulk vessels acquired by Delphin for a monthly fee of \$15,834 for the first 10 vessels, \$11,667 for the second 10 vessels and \$8,750 for the third 10 vessels. Pursuant to the terms of the Management Agreement, the Company was granted an opportunity to acquire for its own account any dry bulk vessel that Delphin proposes to acquire. The Company was also granted a right of first refusal on any dry bulk charter opportunity, other than a renewal of an existing charter for a Delphin-owned vessel that the Company reasonably deems suitable for a Company-owned vessel. The Management Agreement provided the Company a right of first offer on the sale of any dry bulk vessel by Delphin. The term of the Management Agreement was one year and was renewable for successive one year terms at the option of Delphin.

On October 15, 2014, above referenced the Management Agreement was amended and restated (as so amended and restated, the "Amended Management Agreement"). Under the Amended Management Agreement, the technical management fee is \$700 per vessel per day. The commercial management fee is 1.25% of charter hire; provided, however, that no commercial management fee shall be payable with respect to a charter hire that is earned while a vessel is a member of a pool and with respect to which a fee is paid to the pool manager.

Total management fees for the Successor period ended March 31, 2015, amounted to \$802,805. The advanced balance received from Delphin on account for the management of its vessels as of March 31, 2015 amounted to \$449,531. The total reimbursable expenses for the period ended March 31, 2015 amounted to \$41,357. The balance due from Delphin as of March 31, 2015 amounted to \$2,275. The balance due mainly consists of management fees, administrative service fees and other reimbursable expenses.

Total management fees for the Predecessor period ended March 31, 2014, amounted to \$545,022. The advanced balance received from Delphin on account for the management of its vessels as of March 31, 2014 amounted to \$786,844. The total reimbursable expenses for the period ended March 31, 2014 amounted to \$37,279. The balance due from Delphin as of March 31, 2014 amounted to \$4,984. The balance due mainly consisted of management fees, administrative service fees and other reimbursable expenses.

The Amended Management Agreement contains an acknowledgement that the Company may have a conflict in pursuing charter opportunities for Delphin's vessels and provides a means for dealing with such conflict. The initial term of the Amended Management Agreement is one year from the Effective Date. The Amended Management Agreement is thereafter renewable for successive one year terms at the option of Delphin. The Amended Management Agreement also contains certain termination events in favor of Delphin and the Company.

#### **Note 9. Earnings (Loss) Per Common Share**

The computation of basic net loss per share is based on the weighted average number of common shares outstanding for the period ended March 31, 2015 and March 31, 2014 for the Successor and Predecessor, respectively. The Predecessor diluted net loss per share for the period ended March 31, 2014 reflects the weighted average of the underlying warrant shares issuable upon exercise of the 615,997 warrants at the exercise price of \$0.01 per share. Diluted net loss per share as of March 31, 2014, does not include 123,667 restricted stock units and 1,727,667 stock options as their effect was anti-dilutive. In accordance with the accounting literature, the Company has given effect to the issuance of these warrants in computing basic net loss per share because the underlying shares are issuable for little or no cash consideration. Diluted net loss per share gives effect to stock awards, stock options and restricted stock units using the treasury stock method, unless the impact is anti-dilutive. Diluted net loss per share as of March 31, 2015 does not include 489,471 stock awards, 975,312 stock options and 3,045,327 warrants as their effect was anti-dilutive.

|   | <b>Successor<br/>March 31,<br/>2015</b> | <b>Predecessor<br/>March 31,<br/>2014</b> |
|---|---|---|
| Net Loss  | \$(20,667,064)                          | \$(22,589,886)                            |
| Weighted Average Shares-Basic                               | 37,527,010                              | 17,080,190                                |
| Dilutive effect of stock options and restricted stock units | -                                       | -   |
| Weighted Average Shares Diluted                             | 37,527,010                              | 17,080,190                                |
| Basic loss Per Share  | \$(0.55 )                               | \$(1.32 )                                 |
| Diluted loss Per Share                                      | \$(0.55 )                               | \$(1.32 )                                 |

## Note 10. Stock Incentive Plans

### 2014 Management Incentive Plan

On the Effective Date, in accordance with the Plan, the Company adopted the post-emergence Management Incentive Plan, which provides for the distribution of New Eagle MIP Primary Equity in the form of shares of New Eagle Common Stock, and New Eagle MIP Options, to the participating senior management and other employees of the reorganized Company with 2% of the New Eagle Common Stock (on a fully diluted basis) on the Effective Date, and two tiers of options to acquire 5.5% of the New Eagle Common Stock (on a fully diluted basis) with different strike prices based on the equity value for the reorganized Company and a premium to the equity value, each of the foregoing to vest generally over a four year schedule through 25% annual installments commencing on the first anniversary of the Effective Date. The New Eagle MIP Primary Equity is subject to vesting, but the holder thereof is entitled to receive all dividends paid with respect to such shares as if such New Eagle MIP Primary Equity had vested on the grant date (subject to forfeiture by the holder in the event that such grant is terminated prior to vesting unless the administrator of the Management Incentive Program determines otherwise). The New Eagle MIP Options contains adjustment provisions to reflect any transaction involving shares of New Eagle Common Stock, including as a result of any dividend, recapitalization, or stock split, so as to prevent any diminution or enlargement of the holder's rights under the award.

On March 9, 2015, the Company's former Chief Executive Officer resigned from the Company. In connection with the resignation, the Company entered into a Separation Agreement and General Release with its former Chief Executive Officer. The agreement provides, among other things, a vesting of 270,270 of New Eagle MIP Primary Equity of the Company previously granted to its former Chief Executive Officer. All other equity awards previously granted by the Company to its former Chief Executive Officer were forfeited without consideration pursuant to such Separation Agreement.

On April 27, 2015, the Company's former Chief Operating Officer separated from the Company. On May 1, 2015, the Company and its former Chief Operating Officer entered into a Separation Agreement and General Release. The Separation Agreement provides among other things, a vesting of 40,000 of New Eagle MIP Primary Equity of the

Company previously granted to its former Chief Operating Officer, payable in accordance with and subject to certain terms and conditions of such Separation Agreement. All other equity awards previously granted by the Company to its former Chief Operation Officer were forfeited without consideration pursuant to such Separation Agreement.

As of March 31, 2015, stock awards covering a total of 489,471 of the Company's shares are outstanding. The stock awards vest ratably over four years. The Company is amortizing to non-cash compensation expense the fair value of the non-vested stock awards at the grant date.

As of March 31, 2015, options covering 975,312 of the Company's common shares are outstanding with exercise prices ranging from \$18.00 to \$25.25 per share (the market prices at dates of grants). The options granted to members of its management under the Management Incentive Plan vest and become exercisable in four equal annual installments beginning on the grant date. All options expire within seven years from the effective date.

For the three months ended March 31, 2015 and 2014, the Company has recorded a non-cash compensation charge of \$1,884,452 and \$279,743, respectively. The remaining expense for each of the years ending 2015, 2016 and 2017 will be \$1,387,505, \$1,193,968 and \$636,921 respectively.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following is a discussion of the Company's financial condition and results of operation for the three-month periods ended March 31, 2015 and 2014. This section should be read in conjunction with the consolidated financial statements included elsewhere in this report and the notes to those financial statements and the audited consolidated financial statements and the notes to those financial statements for the fiscal year ended December 31, 2014, which were included in our Form 10-K, filed with the Securities and Exchange Commission on April 2, 2015.

This discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995, and are intended to be covered by the safe harbor provided for under these sections. These statements may include words such as "believe," "estimate," "project," "intend," "expect," "plan," "anticipate," and similar expressions in connection with any discussion of the timing or nature of future operating or financial performance or other events. Forward-looking statements reflect management's current expectations and observations with respect to future events and financial performance. Where we express an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed, projected, or implied by those forward-looking statements. The principal factors that affect our financial position, results of operations and cash flows include charter market rates, which have declined significantly from historic highs, periods of charter hire, vessel operating expenses and voyage costs, which are incurred primarily in U.S. dollars, depreciation expenses, which are a function of the cost of our vessels, significant vessel improvement costs and our vessels' estimated useful lives, and financing costs related to our indebtedness. Our actual results may differ materially from those anticipated in these forward looking statements as a result of certain factors which could include the following: (i) changes in demand in the dry bulk market, including, without limitation, changes in production of, or demand for, commodities and bulk cargoes, generally or in particular regions; (ii) greater than anticipated levels of dry bulk vessel new building orders or lower than anticipated rates of dry bulk vessel scrapping; (iii) changes in rules and regulations applicable to the dry bulk industry, including, without limitation, legislation adopted by international bodies or organizations such as the International Maritime Organization and the European Union or by individual countries; (iv) actions taken by regulatory authorities; (v) changes in trading patterns significantly impacting overall dry bulk tonnage requirements; (vi) changes in the typical seasonal variations in dry bulk charter rates; (vii) changes in the cost of other modes of bulk commodity transportation; (viii) changes in general domestic and international political conditions; (ix) changes in the condition of the Company's vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated drydocking costs); (x) significant deteriorations in charter hire rates from current levels or the inability of the Company to achieve its cost-cutting measures, (xi) the outcome of legal proceeding in which we are involved; and other factors listed from time to time in our filings with the Securities and Exchange Commission. This discussion also includes statistical data regarding world dry bulk fleet and orderbook and fleet age. We generated some of this data internally, and some were obtained from independent industry publications and reports that we believe to be reliable. We have not independently verified this data nor sought the consent of any organizations to refer to their reports in this Quarterly Report. We disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws. If we update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

*Overview*

Eagle Bulk Shipping Inc. (the "Company", "we", "us", or "our"), incorporated under the laws of the Republic of the Marshall Islands (the "Marshall Islands") and headquartered in New York City, is engaged primarily in the ocean transportation of a broad range of major and minor bulk cargoes, including iron ore, coal, grain, cement and fertilizer, along worldwide shipping routes. We operate in the Handymax sector of the dry bulk industry, with particular emphasis on the Supramax class of vessels. We own one of the largest fleets of Supramax dry bulk vessels in the world. Supramax dry bulk vessels range in size from 50,000 to 60,000 deadweight tons, or dwt. These vessels have the cargo loading and unloading flexibility of on-board cranes while offering cargo carrying capacities approaching that of Panamax dry bulk vessels, which range in size from 60,000 to 100,000 dwt and must rely on port facilities to load and offload their cargoes. We believe that the cargo handling flexibility and cargo carrying capacity of the Supramax class vessels make them attractive to charterers.

As of March 31, 2015, the Company owned and operated a modern fleet of 45 oceangoing vessels, 43 Supramax and 2 Handymax, with a combined carrying capacity of 2,451,259 dwt and an average age of approximately 8.1 years. The Company also chartered in a Handylog beginning October 2, 2014 for a period of 7 years

Each of our vessels is owned by us through a separate wholly owned Marshall Islands limited liability company.



On August 6, 2014, the Company entered into a Restructuring Support Agreement with the Consenting Lenders constituting the “Majority Lenders” under its Credit Agreement, which contemplated a plan of reorganization through a balance sheet restructuring of the Company’s obligations upon the terms specified therein. On the same day, the Company filed a voluntary Prepackaged Case under the “Bankruptcy Code”. The Prepackaged Case was filed only in respect of the parent company, Eagle Bulk Shipping Inc., but not any of its subsidiaries. Through the Prepackaged Case, the Company sought to implement a balance sheet restructuring pursuant to the terms of its Plan filed with the Court.

On September 22, 2014, the Court entered an order (the “Confirmation Order”) confirming the Plan. On October 15, 2014, the Company completed its balance sheet 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 included:

Entry into a new senior secured credit facility (the “Exit Financing Facility”) as of October 9, 2014, in the amount of \$275 million (inclusive of a \$50 million revolving credit facility).

The cancellation of all outstanding equity interests in the Company as of the Effective Date, with the current holders of such equity interests (other than the Consenting Lenders on account of certain warrants held by them or shares of common stock received upon conversion of such warrants ) receiving (i) shares of New Eagle Common Stock equal to 0.5% of the total number of shares of New Eagle Common Stock issued and outstanding on the Effective Date (subject to dilution by the New Eagle Equity Warrants and the Management Incentive Program), and (ii) an aggregate of 3,045,327 New Eagle Equity Warrants. Each New Eagle Equity Warrant will have a 7-year term (commencing on the Effective Date) and will be exercisable for one share of New Eagle Common Stock (subject to adjustment as set forth in the New Eagle Equity Warrant Agreement and dilution by the Management Incentive Program).

The extinguishment of all loans and other obligations under the Credit Agreement as of the Effective Date, with the current holders thereof receiving (i) shares of New Eagle Common Stock equal to 99.5% of the total number of shares of New Eagle Common Stock issued and outstanding on the Effective Date, subject to dilution by the New Eagle Equity Warrants and the Management Incentive Program, and (ii) a cash distribution as contemplated by the Plan . On the Effective Date, the Credit Agreement was terminated, and the liens and mortgages thereunder were released.

All claims of unsecured creditors of Eagle Bulk Shipping Inc. were unaffected and will be paid in full in the ordinary course.

The establishment of a Management Incentive Program that provides senior management and certain other employees of the reorganized Company with 2% of the New Eagle Common Stock (on a fully diluted basis) on the Effective Date, and two tiers of options to acquire 5.5% of the New Eagle Common Stock (on a fully diluted basis) with different strike prices based on the equity value for the reorganized Company and a premium to the equity value, each of the foregoing to vest generally over a four year schedule through 25% annual installments commencing on the first anniversary of the Effective Date. The Management Incentive Program also provides for the

reservation of certain additional shares for future issuance thereunder, as further described in the Plan.

The Plan also provided for certain releases of various parties by certain holders of claims against and equity interests in the Company.

#### Exit Financing Facility

On October 9, 2014, Eagle Bulk Shipping Inc., as borrower, and certain of its subsidiaries, as guarantors, entered into the Exit Financing Facility with the Exit Lenders. The Exit Financing Facility is in the amount of \$275 million, including a \$50 million undrawn revolving credit facility, and matures on October 15, 2019. Amounts drawn under the Exit Financing Facility bear interest at a rate of LIBOR plus the Margin. The revolving credit facility is subject to an annual commitment fee of 40% of the margin.

#### Registration Rights Agreement

On the Effective Date, and in accordance with the Plan, the Company entered into the Registration Rights Agreement with certain parties that received shares of New Eagle Common Stock under the Plan. The Registration Rights Agreement provided such parties with demand and piggyback registration rights.

#### New Eagle Equity Warrant Agreement

On the Effective Date, and in accordance with the Plan, the New Eagle Equity Warrants were issued pursuant to the terms of the New Eagle Equity Warrant Agreement. Each New Eagle Equity Warrant has a 7-year term (commencing on the Effective Date) and are exercisable for one share of New Eagle Common Stock (subject to adjustment as set forth in the New Eagle Equity Warrant Agreement and dilution by the Management Incentive Program). The New Eagle Equity Warrants are exercisable at an exercise price of \$27.82 per share (subject to adjustment as set forth in the New Eagle Equity Warrant Agreement). The New Eagle 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

We maintain our principal executive offices at 477 Madison Avenue, New York, New York 10022. Our telephone number at that address is (212) 785-2500. Our website address is [www.eagleships.com](http://www.eagleships.com). Information contained on or accessible through our website does not constitute part of this Quarterly Report.

Our financial performance is based on the following key elements of our business strategy:

- (1) concentration in one vessel category: the Supramax class of Handymax dry bulk vessels, which we believe offer size, operational and geographical advantages over Panamax and Capesize vessels;

balance our revenues between mid-term time charters, short-term time charters, voyage charters and pool arrangements to maximize our financial performance throughout shipping cycles. The Company has been executing its commercial strategy by trading in the spot market through spot market-related time charters on voyages, short time charters, index charters, and pool charters. We have entered into either time charter, or voyage (2) charter employment, or pool contracts for all the vessels in our operating fleet. The vessels that are on charters whose revenues are linked to the Baltic Supramax index generally have durations of one-year or less. These index-linked charters, voyage charters and pool contracts provide us with revenue upside as the market improves. We regularly monitor the dry bulk shipping market and based on market conditions we may consider taking advantage of long-term charter rates when appropriate.

Under a pool arrangement, the vessels operate under a time charter agreement with the pool manager. The members of the pool share in the revenue generated by the entire group of vessels in the pool, and the pool may operate either in the time charter or in the spot market in which case the cost of the bunkers and port costs are borne by the pool and the net pool revenue is distributed as time charter hire to each participant. To the extent the vessels are operated in the spot market, they are subject to the fluctuations of the spot market. The operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel.

We believe that this structure provides significant visibility to our future financial results and allows us to take advantage of the relatively stable cash flows and high utilization rates that are associated with medium-term time charters, while at the same time providing us with the revenue upside potential from the index-linked or short-term time charters or voyage charters or pool charters. We regularly monitor the dry bulk shipping market and based on market conditions we may consider taking advantage of long-term charter rates.

- (3) maintain high quality vessels and improve standards of operation through improved environmental procedures, crew training and maintenance and repair procedures; and
- (4) maintain a balance between purchasing vessels as market conditions and opportunities arise and maintaining prudent financial ratios (e.g. leverage ratio).



We have employed all of our vessels in our operating fleet on time and voyage charters. The following table represents certain information about our revenue earning charters with respect to our operating fleet as of March 31, 2015:

| <b>Vessel</b>  | <b>Year Built</b> | <b>Dwt</b> | <b>Charter Expiration (1)</b> | <b>Daily Charter Hire Rate</b> |
|----------------|-------------------|------------|-------------------------------|--------------------------------|
| Avocet         | 2010              | 53,462     | June 2015                     | Pool (3)                       |
| Bittern        | 2009              | 57,809     | June 2015                     | Pool (3)                       |
| Canary         | 2009              | 57,809     | June 2015                     | Pool (3)                       |
| Cardinal       | 2004              | 55,362     | April 2015                    | \$ 5,000 (2)                   |
| Condor         | 2001              | 50,296     | May 2015                      | \$ 6,500                       |
| Crane          | 2010              | 57,809     | June 2015                     | Pool (3)                       |
| Crested Eagle  | 2009              | 55,989     | April 2015                    | \$ 6,000 (2)                   |
| Crowned Eagle  | 2008              | 55,940     | April 2015                    | \$ 8,000 (2)                   |
| Egret Bulker   | 2010              | 57,809     | DDK                           | (4 )                           |
| Falcon         | 2001              | 50,296     | Open                          | (5 )                           |
| Gannet Bulker  | 2010              | 57,809     | April 2015                    | \$ 4,500 (2)                   |
| Golden Eagle   | 2010              | 55,989     | April 2015                    | \$ 7,500 (2)                   |
| Goldeneye      | 2002              | 52,421     | May 2015                      | \$ 10,150                      |
| Grebe Bulker   | 2010              | 57,809     | June 2015                     | Pool (3)                       |
| Harrier        | 2001              | 50,296     | April 2015                    | \$ 6,000 (2)                   |
| Hawk I         | 2001              | 50,296     | June 2015                     | \$ 5,500                       |
| Ibis Bulker    | 2010              | 57,775     | DDK                           | (4 )                           |
| Imperial Eagle | 2010              | 55,989     | Open                          | (5 )                           |
| Jaeger         | 2004              | 52,248     | April 2015                    | \$ 5,000 (2)                   |

Edgar Filing: Eagle Bulk Shipping Inc. - Form 10-Q

|            |      |        |            |           |     |
|------------|------|--------|------------|-----------|-----|
| Jay        | 2010 | 57,802 | April 2015 | \$ 10,600 | (2) |
| Kestrel I  | 2004 | 50,326 | April 2015 | \$ 5,000  | (2) |
| Kingfisher | 2010 | 57,776 | June 2015  | Pool (3)  |     |
| Kite       | 1997 | 47,195 | April 2015 | \$ 4,200  | (2) |
| Kittiwake  | 2002 | 53,146 | April 2015 | Voyage(2) |     |
| Martin     | 2010 | 57,809 | June 2015  | Pool (3)  |     |
| Merlin     | 2001 | 50,296 | April 2015 | \$ 5,850  | (2) |
| Nighthawk  | 2011 | 57,809 | June 2015  | Pool (3)  |     |
| Oriole     | 2011 | 57,809 | April 2015 | \$ 7,500  | (2) |
| Osprey I   | 2002 | 50,206 | April 2015 | \$ 3,000  | (2) |
| Owl        | 2011 | 57,809 | April 2015 | \$ 6,150  | (2) |
| Peregrine  | 2001 | 50,913 | April 2015 | \$ 9,175  | (2) |

Edgar Filing: Eagle Bulk Shipping Inc. - Form 10-Q

|                   |      |        |                  |             |
|-------------------|------|--------|------------------|-------------|
| Petrel Bulker     | 2011 | 57,809 | April 2015       | \$9,500 (2) |
| Puffin Bulker     | 2011 | 57,809 | April 2015       | \$10,050(2) |
| Redwing           | 2007 | 53,411 | April 2015       | \$7,125 (2) |
| Roadrunner Bulker | 2011 | 57,809 | April 2015       | \$4,500 (2) |
| Sandpiper Bulker  | 2011 | 57,809 | April 2015       | \$5,750 (2) |
| Shrike            | 2003 | 53,343 | June 2015        | Pool(3)     |
| Skua              | 2003 | 53,350 | April 2015       | \$4,000 (2) |
| Sparrow           | 2000 | 48,225 | April 2015       | \$6,000 (2) |
| Stellar Eagle     | 2009 | 55,989 | June – July 2015 | \$13,030(1) |
| Tern              | 2003 | 50,200 | April 2015       | \$3,750 (2) |
| Thrasher          | 2010 | 53,360 | DDK              | (4 )        |
| Thrush            | 2011 | 53,297 | June 2015        | Pool (3)    |
| Woodstar          | 2008 | 53,390 | May 2015         | \$4,500     |
| Wren              | 2008 | 53,349 | June 2015        | Pool(3)     |

The date range provided represents the earliest and latest date on which the charterer may redeliver the vessel to (1) the Company upon the termination of the charter. The time charter hire rates presented are gross daily charter rates before brokerage commissions, ranging from 1.25% to 5.00%, to third party ship brokers.

(2) Upon conclusion of the previous charter the vessel will commence a short term charter for up to six months or a spot voyage.

(3) These vessels are operating in a dry bulk pool for a period between 10 to 14 months.

(4) Upon conclusion of the drydocking the vessel will commence a short term charter for up to six months or re enter the dry bulk pool.

(5) The Vessels were subsequently chartered out on a short term charter.

## ***Fleet Management***

The management of our fleet includes the following functions:

*Strategic management.* We locate and obtain financing and insurance for, the purchase and sale of vessels.

*Commercial management.* We obtain employment for our vessels and manage our relationships with charterers.

*Technical management.* We have established an in-house technical management function and engage a third party technical manager that performs day-to-day operations and maintenance of our vessels.

## ***Commercial and Strategic Management***

We carry out the commercial and strategic management of our fleet through our wholly owned subsidiaries, Eagle Shipping International (USA) LLC, Marshall Islands limited liability company that maintains its principal executive offices in New York City, and Eagle Bulk Pte. Ltd, a Singapore company. We currently have a total of seventy one shore based personnel, including our senior management team and our office staff, who either directly or through these subsidiaries, provides the following services:

- commercial operations and technical supervision;
- safety monitoring;
- vessel acquisition; and
- financial, accounting and information technology services.



### ***Technical Management***

The technical management of a portion of our fleet is provided by our unaffiliated third party technical manager, V.Ships Limited, which we believe is one of the world's largest providers of independent ship management and related services. We established in-house technical management capabilities, through which we provide technical management services to a majority of our vessels, in addition to establishing a vessel management bench-mark with V.Ships Limited, the external technical manager. We review the performance of the technical manager on an annual basis and may add or change technical managers.

Technical management includes managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging our hire of qualified officers and crew, arranging and supervising drydocking and repairs, purchasing supplies, spare parts and new equipment for vessels, appointing supervisors and technical consultants and providing technical support. Our technical managers also manage and process all crew insurance claims. Our technical managers maintain records of all costs and expenditures incurred in connection with their services that are available for our review on a daily basis. Our technical managers are members of marine contracting associations which arrange bulk purchasing thereby enabling us to benefit from economies of scale.

Our third-party technical manager is paid a fixed management fee for each vessel in our operating fleet for the technical management services provided. For the three-month periods ended March 31, 2015 and 2014, the technical management fee averaged \$11,042 and \$10,708 per vessel per month, respectively. Management fees paid to our third-party technical manager are recorded under Vessel Expenses.

### ***Value of Assets and Cash Requirements***

The replacement costs of comparable new vessels may be above or below the book value of our fleet. The market value of our fleet may be below book value when market conditions are weak and exceed book value when market conditions are strong. Customary with industry practice, we may consider asset redeployment which at times may include the sale of vessels at less than their book value. The Company's results of operations and cash flow may be significantly affected by future charter markets.

### ***Critical Accounting Policies***

The discussion and analysis of our financial condition and results of operations is based upon our interim unaudited consolidated financial statements, which have been prepared in accordance with U.S. GAAP and the rules and regulations of the SEC which apply to interim financial statements. The preparation of those financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues, expenses and warrants 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. As the discussion and analysis of our financial condition and results of operations is based upon our interim unaudited consolidated financial statements, they do not include all of the information on critical accounting policies normally included in consolidated financial statements. Accordingly, a detailed description of these critical accounting policies should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Reports on Form 10-K. There have been no material changes from the "Critical Accounting Policies" previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on April 2, 2015.

***Use of Estimates:*** The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates and assumptions of the Company are stock-based compensation, the useful lives of fixed assets and intangibles, depreciation and amortization, the allowances for bad debt, and the fair value of derivative and warrants.

**Results of Operations for the three month periods ended March 31, 2015 and 2014:****Fleet Data**

We believe that the measures for analyzing future trends in our results of operations consist of the following:

|                       | <b>Successor<br/>Three<br/>Months<br/>Ended<br/>March<br/>31, 2015</b> |   | <b>Predecessor<br/>Three<br/>Months<br/>Ended<br/>March 31,<br/>2014</b> |   |
|-----------------------|--|---|--|---|
| Ownership Days        | 4,050  |   | 4,050  |   |
| Chartered in Days     | 90   |   | -  |   |
| Available Days        | 4,021  |   | 3,995  |   |
| Operating Days        | 3,904  |   | 3,937  |   |
| Fleet Utilization (%) | 97.1   | % | 98.5   | % |

In order to understand our discussion of our results of operations, it is important to understand the meaning of the following terms used in our analysis and the factors that influence our results of operations.

- Ownership days: 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.
- Chartered-in under operating lease days: We define chartered-in under operating lease days as the aggregate number of days in a period during which we chartered-in vessels.
- Available days: 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 vessel familiarization upon acquisition, scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues. During the three-month period ended March 31, 2015, the Company completed drydocking of five vessels while three other vessels were still in drydocking as of March 31, 2015. During the three-month period ended March 31, 2014, the Company completed drydocking of one vessel while two other vessels

were still in drydocking as of March 31, 2014.

- Operating days: We define operating days as the number of available days in a period less the aggregate number of days that our vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.
- Fleet utilization: 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 amount 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. Our fleet continues to perform at high utilization rates.

### *Revenues*

Our revenues are derived from time and voyage charters. As is common in the shipping industry, we pay commissions ranging from 1.25% to 5.00% of the total daily charter hire rate of each charter to unaffiliated ship brokers associated with the charterers, depending on the number of brokers involved with arranging the charter.

Gross time and voyage charter revenues in the quarter ended March 31, 2015 were \$27,711,789 compared with \$47,860,462 recorded in the comparable quarter in 2014. The decrease in revenue is attributable to lower time charter hire rates and utilization compared to the comparable quarter in 2014. Brokerage commissions incurred on revenues earned in the quarter ended March 31, 2015 and 2014 were \$1,380,623 and \$2,065,071, respectively. Net revenues during the quarter ended March 31, 2015 and 2014, were \$26,331,166 and \$45,795,391, respectively.

### *Voyage Expenses*

To the extent that we employ our vessels on voyage charters, we will incur expenses that include bunkers, port charges, canal tolls, cargo handling operations and brokerage commissions, as these expenses are borne by the vessel owner on voyage charters. Bunkers, port charges, and canal toll expenses primarily increase in periods during which vessels are employed on voyage charters because these expenses are for vessels account. Voyage expenses for the three-month period ended March 31, 2015 were \$5,182,175, compared to \$3,837,278 in the comparable quarter in 2014. The increase is mainly attributable to write down of bunker inventory to their fair market value.



### ***Vessel Expenses***

Vessel expenses for the three-month period ended March 31, 2015 were \$21,944,711, compared to \$22,577,518 in the comparable quarter in 2014. The decrease is attributable primarily to savings in vessel running costs. Vessel expenses for the three-month period ended March 31, 2015 included \$20,448,706 in vessel operating costs and \$1,496,005 in technical management fees. Vessel expenses for the comparable period in 2014 included \$21,113,880, in vessel operating costs and \$1,463,638 in technical management fees.

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 related inventory, tonnage taxes, pre-operating costs associated with the delivery of acquired vessels including providing the newly acquired vessels with initial provisions and stores, other miscellaneous expenses, and technical management fees paid to our third party manager.

Other factors beyond our control, some of which may affect the shipping industry in general, may cause vessel operating expenses to increase, including, for instance, developments relating to market prices for crew, insurance and petroleum-based lubricants and supplies.

### ***Depreciation and Amortization***

For the three-month periods ended March 31, 2015 and 2014, total depreciation and amortization expense was \$10,557,171 and \$19,077,813, respectively. Total depreciation and amortization expense for the three-month period ended March 31, 2015 includes \$10,271,775 of vessel and other fixed assets depreciation, and \$285,396 relating to the amortization of deferred drydocking costs. Comparable amounts for the three-month period ended March 31, 2014 were \$18,413,964 of vessel and other fixed assets depreciation and \$663,849 of amortization of deferred drydocking costs. As a part of the adoption of fresh start accounting all of the drydock costs incurred prior to October 15, 2014 were written off. The decrease in depreciation and amortization expense is attributable to lower vessel valuation upon adoption of fresh start accounting in the fourth quarter of 2014.

On the Effective Date, as part of fresh-start reporting, we revalued our vessel assets which resulted in a decrease in vessel assets and drydocking assets. Effective October 15, 2014, the Successor estimates the useful life of the Company's vessels to be 25 years from the date of initial delivery from the shipyard to the original owner. The change in the estimated useful life will result in an increase in depreciation expense over the remaining life of the vessel assets. Also, on the Effective Date, the company increased the estimated scrap value of the vessels from \$150 per lwt to \$300 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 January 1 to March 31, 2015, the increase in the estimated scrap value resulted in a decrease in depreciation

expense of \$966,092 for the Successor. The decrease in depreciation expense resulted in a \$0.02 change to the basic and diluted net loss per share for the first quarter 2015. The basic and diluted net loss per share would have been (\$0.57) per share if there was no change in the estimated scrap value.

The cost of all vessels is depreciated 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 from the date of initial delivery from the shipyard to the original owner. Furthermore, we estimate the residual values of our vessels to be \$300 per lightweight ton, which we believe is common in the dry bulk shipping industry. Drydocking relates to our regularly scheduled maintenance program necessary to preserve the quality of our vessels as well as to comply with international shipping standards and environmental laws and regulations. The Company anticipates that vessels are to be drydocked every two and a half years and, accordingly, these expenses are deferred and amortized over that period.

Amortization of deferred financing costs is included in interest expense. These financing costs relate to costs associated with the Exit Financing Facility. All the deferred financing costs relating to the prior credit facility entered into on June 20, 2012 have been written off as part of adoption of fresh start accounting post restructuring. In connection with the Exit Financing Facility, the Company recorded \$575,000 in deferred financing costs that amortize over the term of the Exit Financing Facility. For the three-month periods ended March 31, 2015 and 2014, the amortization of deferred financing costs was \$28,341 and \$2,015,777, respectively.

### *General and Administrative Expenses*

Our general and administrative expenses include onshore vessel administration related expenses such as legal and professional expenses and administrative and other expenses including payroll and expenses relating to our executive officers and office staff, office rent and expenses, directors' fees, and directors and officers insurance. General and administrative expenses also include non-cash compensation expenses.

General and administrative expenses for the three-month periods ended March 31, 2015, and 2014, were \$4,938,998 and \$3,122,933, respectively. These general and administrative expenses include a non-cash compensation component of \$1,884,452 and \$279,743, respectively. The increase in general and administrative expenses for the three-month period ended March 31, 2015 is primarily attributable to higher non-cash compensation expenses pursuant to the Management Incentive Plan adopted on October 15, 2014.

### *Effects of Inflation*

We do not believe that inflation has had or is likely, in the foreseeable future, to have a significant impact on vessel operating expenses, drydocking expenses or general and administrative expenses.

### *Liquidity and Capital Resources*

Net cash used by operating activities during the three-month period ended March 31, 2015 was \$9,636,748, compared with net cash provided by operating activities of \$165,414 during the corresponding three-month period ended March 31, 2014.

Net cash used in investing activities during the three-month period ended March 31, 2015, was \$742,014, compared with \$20,532 during the corresponding three-month period ended March 31, 2014.

Net cash used by financing activities during the three-month period ended March 31, 2015 was 5,191,756 compared to none during the corresponding three-month period ended March 31, 2014.

As of March 31, 2015, our cash balance was \$24,404,769, compared to a cash balance of \$39,975,287 at December 31, 2014. Also recorded in Restricted Cash is an amount of \$66,243, which collateralizes letters of credit relating to our office leases.

At March 31, 2015, the Company's debt consisted of \$216,521,762 in term loans net of \$4,571,988 debt discount.

On October 9, 2014, the Company entered into the Exit Financing Facility with the Exit Lenders. The Exit Financing Facility is in the amount of \$275 million, including a \$50 million undrawn revolving credit facility, and matures on October 15, 2019. A fee of \$5.5 million was paid to the lenders in connection with the Exit Financing Facility. Amounts drawn under the Exit Financing Facility bear interest at a rate of LIBOR plus margin ranging between 3.50% and 4.00% per annum. The revolving credit facility is subject to an annual commitment fee of 40% of the margin.



The Company's obligations under the Exit Financing Facility are secured by a first priority mortgage on each of the vessels in its fleet and such other vessels that it may from time to time include with the approval of the Exit Lenders, a first assignment of its earnings account, its liquidity account and its vessel-owning subsidiaries' earnings accounts, a first assignment of all charters (having a term which may exceed 18 months), freights, earnings, insurances, requisition compensation and management agreements with respect to the vessels and a first priority pledge of the membership interests of each of its vessel-owning subsidiaries. The Company may grant additional security to the Exit Lenders from time to time in the future.

The Exit Financing Facility contains financial covenants requiring the Company, among other things, to ensure that: the aggregate market value of the vessels in the Company's fleet at all times does not fall below between 150% and 165% of the aggregate principal amount of debt outstanding under the Exit Financing Facility; the total financial indebtedness of the Company and all of its subsidiaries on a consolidated basis divided by the sum of (i) the total shareholders' equity for the Company and all of its subsidiaries (minus goodwill and other non-tangible items) and (ii) the total financial indebtedness of the Company and all of its subsidiaries on a consolidated basis, shall not be more than 0.65; the aggregate of the Company's and its subsidiaries' EBITDA will not be less than 2.5x of the aggregate amount of interest incurred and net amounts payable under interest rate hedging arrangements during the relevant particular period; and the Company maintains a minimum liquidity of not less than the greater of (i) \$20,000,000 and (ii) \$500,000 per vessel in the Company's fleet.

Charter hire rates have been volatile and driven down during the first quarter of 2015 and continue to be low in the second quarter of 2015. One of our covenants, the minimum interest coverage ratio is primarily driven off a trailing twelve month calculation of EBITDA. If the current weak drybulk rate environment persists for a long duration or charter hire rates decline further the Company may not be in compliance with this covenant as of its first determination date in December 31, 2015. Accordingly, we may seek waivers or modifications to the Exit Financing Facility, which may be unavailable or subject to conditions. If we were to be unable to cure an event of default our debt could be called by the banks and all amounts then outstanding would be reclassified as a current liability and alternative sources of financing would need to be sought on terms that may not be favorable to the Company or the Company may need to seek additional capital through equity or debt offerings or through the sale of assets. Should such events happen, there can be no assurances that the Company would be able to procure alternate financing or sufficient sources of additional capital.

In addition, the Exit Financing Facility also imposes operating restrictions on the Company including limiting the Company's ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; acquire and sell capital assets (including vessels); merge or consolidate with, or transfer all or substantially all of the Company's assets to, another person; and enter into a new line of business. The Company is obligated to repay the Exit Financing Facility in 20 equal consecutive quarterly repayment installments each in an amount of U.S. \$3,906,250.

The Exit Financing Facility also includes customary events of default, including those relating to a failure to pay principal or interest, a breach of covenant, representation or warranty, a cross-default to other indebtedness and non-compliance with security documents. Further, there would be a default if any event occurs or circumstances arise in light of which, in the Exit Lenders' judgment, there is significant risk that the Company is or would become insolvent. The Company is not permitted to pay dividends if there is a default or a breach of a loan covenant under the Exit Financing Facility or if the payment of the dividends would result in a default or breach of a loan covenant. Indebtedness under the Exit Financing Facility may also be accelerated if the Company experiences a change of control.

### *Dividends*

The Company did not make any dividend payments in 2015 or 2014 and currently do not plan to resume the payment of dividends. In the future, the declaration and payment of dividends, if any, will always be subject to the discretion of the board of directors, restrictions contained in the Exit Financing Facility and the requirements of Marshall Islands law. The timing and amount of any dividends declared will depend on, among other things, our earnings, financial condition and cash requirements and availability, the ability to obtain debt and equity financing on acceptable terms as contemplated by the Company's growth strategy, the terms of its outstanding indebtedness and the ability of the Company's subsidiaries to distribute funds to it.

### *Capital Expenditures*

Our capital expenditures relate to the purchase of vessels and capital improvements to our vessels which are expected to enhance the revenue earning capabilities and safety of these vessels.

In addition to acquisitions that we may undertake in future periods, the other major capital expenditures include funding the Company's program of regularly scheduled drydocking necessary to comply with international shipping standards and environmental laws and regulations. Although the Company has some flexibility regarding the timing of its dry docking, the costs are relatively predictable. Management anticipates that vessels are to be drydocked every two and a half years. Funding of these requirements is anticipated to be met with cash from operations. We anticipate that this process of recertification will require us to reposition these vessels from a discharge port to shipyard facilities, which will reduce our available days and operating days during that period.

Drydocking costs incurred are deferred and amortized to expense on a straight-line basis over the period through the date of the next scheduled drydocking for those vessels. In the three months ended March 31, 2015, five of our vessels were drydocked, three other vessels were still in drydock as of March 31, 2015 and we incurred \$3,060,384 in drydocking related costs. In the three months ended March 31, 2014, one of our vessels was drydocked, two other

vessels were still in drydock as of March 31, 2014 and we incurred \$870,303 in drydocking related costs. The following table represents certain information about the estimated costs for anticipated vessel drydockings in the next four quarters, along with the anticipated off-hire days:

| <b>Quarter Ending</b> | <b>Off-hire Days<sup>(1)</sup></b> | <b>Projected Costs<sup>(2)</sup></b> |
|-----------------------|------------------------------------|--------------------------------------|
| June 30, 2015         | 176                                | \$5.2 million                        |
| September 30, 2015    | 220                                | \$6.5 million                        |
| December 31, 2015     | 176                                | \$5.2 million                        |
| March 31, 2016        | -                                  | -                                    |

*(1) Actual duration of drydocking will vary based on the condition of the vessel, yard schedules and other factors.*

*(2) Actual costs will vary based on various factors, including where the drydockings are actually performed.*

### ***Off-balance Sheet Arrangements***

We do not have any off-balance sheet arrangements.

### ***Other Contingencies***

We refer you to Note 7 “Commitments and Contingencies - Legal Proceedings” to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report for a discussion of our contingencies related to claim litigation. If an unfavorable ruling were to occur in these matters, there exists the possibility of a material adverse impact on our business, liquidity, results of operations, financial position and cash flows in the period in which the ruling occurs. The potential impact from legal proceedings on our business, liquidity, results of operations, financial position and cash flows, could change in the future.

### ***Item 3. Quantitative and Qualitative Disclosures about Market Risk***

There have been no material changes from the market risk disclosure set forth in the section entitled “Quantitative and Qualitative Disclosures about Market Risk” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on April 2, 2015.



#### **Item 4. Controls and Procedures**

##### ***Effectiveness of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

During the year 2014, the Company, disclosed that it did not maintain effective controls over fresh-start accounting. Specifically, the Company's internal controls did not operate effectively to ensure that the fresh-start adjustment to reorganization items was recorded accurately and classified appropriately. This control deficiency resulted in an adjustment to reorganization items and related financial disclosures. Additionally, this control deficiency could result in a misstatement of the aforementioned account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

As of March 31, 2015, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were neither effective nor operating at a reasonable assurance level as of March 31, 2015.

##### ***Internal Control Over Financial Reporting***

There were no material change to internal controls during the quarter.

#### **PART II: OTHER INFORMATION**

**Item 1 - Legal Proceedings**

From time to time, we are involved in various disputes and litigation matters that arise in the ordinary course of our business, principally personal injury and property casualty claims. Those claims, even if lacking merit, could result in the expenditure by us of significant financial and managerial resources. Information about legal proceedings is set forth in Note 6 to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report and is incorporated by reference herein.

**Item 1A – Risk Factors**

There have been no material changes from the “Risk Factors” previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on March 31, 2015.

**Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3 - Defaults Upon Senior Securities**

None.

**Item 4 – Mine Safety Disclosures**

None.

**Item 5 - Other Information**

None.

**Item 6 – Exhibits**

**EXHIBIT INDEX**

- 10.1 Separation Agreement and General Release, dated March 9, 2015, between Eagle Bulk Shipping Inc. and Sophocles N. Zoullas, filed with the SEC on April 2, 2015.
- 10.2 Separation Agreement and General Release, dated May 1, 2015, between Eagle Bulk Shipping Inc. and Alexis P. Zoullas.
- 31.1 Rule 13a-14(d) / 15d-14(a)\_Certification of Principal Executive Officer.
- 31.2 Rule 13a-14(d) / 15d-14(a)\_Certification of Principal Financial Officer.
- 32.1 Section 1350 Certification of Principal Executive Officer.
- 32.2 Section 1350 Certification of Principal Financial Officer.
  - The following materials from Eagle Bulk Shipping Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets (unaudited) as of March 31, 2015 and December 31, 2014, (ii) Consolidated Statements of Operations (unaudited) for the three months ended March 31, 2015 and 2014, (iii) Consolidated Statements of Comprehensive Loss (unaudited) for the three months ended March 31, 2015 and 2014, (iv) Consolidated Statements of Stockholders' Equity (unaudited) for the three months ended March 31, 2015 and 2014, (v) Consolidated Statements of Cash Flows (unaudited) for the three months ended March 31, 2015 and 2014, and (vi) Notes to Consolidated Financial Statements (unaudited).

**SIGNATURES**

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

**EAGLE BULK SHIPPING INC.**

By: /s/ Stanley H.Ryan

-----

Stanley H.Ryan

Chairman of the Board and

Chief Executive Officer

**Date:** May 15, 2015

By: /s/ Adir Katzav

-----

Adir Katzav

Chief Financial Officer

and Principal Accounting Officer

**Date:** May 15, 2015