

Baltic Trading Ltd  
Form 10-K  
March 02, 2015

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

Washington, D.C. 20549

**FORM 10-K**

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

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

**or**

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

**For the transition period from to**

**Commission file number 001-34648**

**BALTIC TRADING LIMITED**

(Exact name of registrant as specified in its charter)

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

**98-0637837**  
(I.R.S. Employer Identification No.)

**299 Park Avenue, 12th Floor, New York, New York**

**10171**

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(Address of principal executive offices)

(Zip Code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$.01 per share	New York Stock Exchange

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

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

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The aggregate market value of the registrant's voting common equity held by non-affiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter, computed by reference to the last sale price of such stock of \$5.98 per share as of June 30, 2014 on the New York Stock Exchange, was approximately \$294.4 million. The registrant has no non-voting common equity issued and outstanding. The determination of affiliate status for purposes of this paragraph is not necessarily a conclusive determination for any other purpose.

The number of shares outstanding of the registrant's classes of common stock, as of March 2, 2015: common stock, \$0.01 per share 52,255,241 shares and Class B stock, \$0.01 per share 6,356,471 shares.

### DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Proxy Statement for the 2015 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2014, are incorporated by reference in Part III herein.

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**Website Information**

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

## PART I

### ITEM 1. BUSINESS

#### OVERVIEW

We are a New York City-based company incorporated in October 2009 in the Marshall Islands to conduct a shipping business focused on the drybulk industry spot market. We were formed by Genco Shipping & Trading Limited ( Genco ), an international drybulk shipping company that also serves as our Manager. Our fleet currently consists of four Capesize vessels, two Ultramax vessels, four Supramax vessels and five Handysize vessels with an aggregate carrying capacity of approximately 1,221,000 deadweight tons ( dwt ). The average age of our current fleet is approximately 4.3 years, as compared to the average age for the world fleet of approximately nine years for the drybulk shipping segments in which we compete. After the expected delivery of two Ultramax newbuildings that we have agreed to acquire, we will own a fleet of 17 drybulk vessels, consisting of four Capesize, four Ultramax, four Supramax and five Handysize vessels with a total carrying capacity of approximately 1,349,000 dwt. Our current fleet contains six groups of sister ships, which are vessels of virtually identical sizes and specifications. We believe that maintaining a fleet that includes sister ships reduces costs by creating economies of scale in the maintenance, supply and crewing of our vessels.

On July 2, 2013, we entered into agreements to purchase two Handysize drybulk vessels from subsidiaries of Clipper Group for an aggregate purchase price of \$41 million. The Baltic Hare, a 2009-built Handysize vessel, was delivered on September 5, 2013 and the Baltic Fox, a 2010-built Handysize vessel, was delivered on September 6, 2013. We funded a portion of the purchase price of the vessels using proceeds from our registered follow-on common stock offering completed on May 28, 2013. For the remainder of the purchase price, we drew down \$22 million under our secured loan agreement with DVB Bank SE (the \$22 Million Term Loan Facility ). Refer to Note 7 Debt in our consolidated financial statements for further information regarding this credit facility.

On October 31, 2013, we entered into agreements to purchase two Capesize drybulk vessels from affiliates of SK Shipping Co. Ltd. for an aggregate purchase price of \$103 million. The Baltic Lion, a 2012-built Capesize drybulk vessel, was delivered on December 27, 2013, and the Baltic Tiger, a 2011-built Capesize vessel, was delivered on November 26, 2013. We funded a portion of the purchase price of the vessels using proceeds from our registered follow-on common stock offering completed on September 25, 2013. For the remainder of the purchase price, we drew down \$44 million under our secured loan agreement with DVB Bank SE (the \$44 Million Term Loan Facility ). Refer to Note 7 Debt in our consolidated financial statements for further information regarding this credit facility.

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

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We seek to leverage the expertise of Genco and its management to pursue growth opportunities in the drybulk shipping spot market. To pursue these opportunities, we operate a fleet of drybulk ships that transports iron ore, coal, grain, steel products and other drybulk cargoes along worldwide shipping routes. We currently operate all of our vessels on spot market-related time charters, short-term time charters or in vessel pools trading in the spot market. We may also consider operating vessels in the spot market directly based on our view of market conditions. We have financed our fleet primarily with equity capital and have financed the remainder with our revolving credit facility (the 2010 Credit Facility), the \$22 Million Term Loan Facility, the \$44 Million Term Loan Facility and the 2014 Term Loan Facilities. The \$148 Million Credit Facility refinanced the outstanding indebtedness under the 2010 Credit Facility. Depending on market conditions, we aim to grow our fleet through timely and selective acquisitions of vessels. We expect to fund acquisitions of additional vessels using equity and debt financing. We intend to distribute to our shareholders on a quarterly basis all of our net income less cash expenditures for capital items related to our fleet, other than vessel acquisitions and related expenses, plus non-cash compensation, during the previous quarter, subject to any additional reserves our Board of Directors may from time to time determine are required for the prudent conduct of our business. Please see below under Dividend Policy.

Refer to page 4 for a table of all vessels that have been or are expected to be delivered to us.

Our operations are managed, under the supervision of our Board of Directors, by Genco as our Manager. In 2010, we entered into a long-term management agreement (the Management Agreement) pursuant to which our Manager and its affiliates apply their expertise and experience in the drybulk industry to provide us with commercial, technical, administrative and strategic services. The Management Agreement is for an initial term of approximately fifteen years and will automatically renew for additional five-year periods unless terminated in accordance with its terms. We pay our Manager fees for the services it provides us as well as reimburse our Manager for its costs and expenses incurred in providing certain of these services. However, see Note 7 of the Consolidated Financial Statements for a discussion of the potential effects of a change of control and the Genco bankruptcy case under the covenants of the our credit facilities and the Management Agreement. See also Risk Factors below.

On May 28, 2013, we closed an equity offering of 6,419,217 shares of common stock at an offering price of \$3.60 per share. We received net proceeds of approximately \$21.6 million, after deducting underwriters fees and expenses. Additionally, on September 25, 2013, we closed an equity offering of 13,800,000 shares of common stock at an offering price of \$4.60 per share. We received net proceeds of approximately \$59.5 million after deducting underwriters fees and expenses. Also, on November 18, 2013, we closed an equity offering of 12,650,000 shares of common stock at an offering price of \$4.60 per share. We received net proceeds of approximately \$55.1 million after deducting underwriters fees and expenses. Pursuant to the Management Agreement, for so long as Genco directly or indirectly holds at least 10% of the aggregate number of outstanding shares of our common stock and Class B stock, Genco will be entitled to receive at no cost an additional number of shares of Class B stock equal to 2% of the number of common shares issued, other than shares issued under the our 2010 Equity Incentive Plan. As a result of the equity offerings on May 28, 2013, September 25, 2013 and November 18, 2013, Genco was issued 128,383, 276,000 and 253,000 shares, respectively, of Class B stock, which represents 2% of the number of common shares issued.

## AVAILABLE INFORMATION

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

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

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

Corporate Investor Relations

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Baltic Trading Limited

299 Park Avenue, 12th Floor

New York, NY 10171

### **BUSINESS STRATEGY**

Our strategy is to employ a fleet of drybulk vessels primarily in the spot market and to grow our business through accretive vessel acquisitions. As detailed below, our strategy largely relies on blending certain complementary elements of vessel employment with a capital structure that supports our operations. For example, we believe our focus on the drybulk spot market and our quarterly dividend policy is attractive to investors because it provides them exposure to the trends of the drybulk shipping industry. We have used equity and debt to finance our fleet and seek to maintain relatively low leverage. Key elements of our business strategy include:

- *Deploy our vessels primarily in the spot market.* We seek to provide shareholders with the opportunity to invest in a company with a strategic focus on the drybulk market by deploying our vessels on voyage or time charters or in vessel pools that are related to the spot market. The spot market is volatile and holds the potential for significant increases or decreases in shipping rates over time. Upward movements in spot rates have the potential to increase our revenues, and we will have opportunities to take advantage of these upswings by not locking our vessels into long-term, fixed-rate time



charters. Conversely, our revenues may decline if the spot market does, and we will not benefit from the stabilizing effect of fixed-rate time charters. The spot market may be affected by whether the global economy declines or recovers, particularly with respect to economies outside the United States such as China and India, which have been the primary drivers of drybulk trade in recent years. Further, while economic health is one factor influencing demand, supply of drybulk vessels is also an important factor affecting spot market rates. An undersupply of drybulk vessels could lead to higher spot market rates despite weak economic conditions, while an oversupply of drybulk vessels could lead to lower spot market rates despite strong economic conditions as is the case under current market conditions.

- *Maintain a strong balance sheet.* We have used equity and debt to finance our fleet, and we seek to maintain a moderate leverage profile going forward. When market conditions permit, we may use equity financing to reduce our outstanding debt. We believe our goal of keeping a moderate leverage profile will help offset the volatility risk of trading our vessels in the spot market. We also believe this approach will help us capitalize on opportunities if the spot market improves as well as reduce the impact debt covenant restrictions and scheduled debt payments would have on our business if the spot market remains weak or further declines. As a result of the current weakness in the drybulk market, the decrease in the market value of our vessels has resulted in a higher leverage profile.
- *Seek to return a portion of our cash flow to shareholders through dividends.* Our dividend policy is to pay quarterly dividends to our shareholders approximately equal to our net income minus cash capital expenditures for vessels, other than vessel acquisitions and related expenses plus non-cash compensation. In prior quarters, our Board of Directors determined to declare a dividend based on our cash flow, liquidity, and capital resources, even though the application of our policy would have resulted in a lesser dividend or no dividend. However, as a result of current market conditions, we did not declare a dividend for the fourth quarter of 2014. See *Dividend Policy* herein. Although the Board of Directors decided not to declare a dividend for the last quarter of 2014 due to the weakened current rate environment, we paid cumulative dividends of dividends of \$0.06, \$0.05 and \$0.24 per share during 2014, 2013 and 2012, respectively.
- *Strategically expand the size of our fleet.* We intend to acquire modern, high-quality drybulk carriers through timely and selective acquisitions of vessels. Since our initial public offering, upon the delivery of four Ultramax vessels that we have agreed to acquire, we will have grown the number of vessels in our fleet by approximately 283% and the capacity of our fleet by approximately 139%. Going forward, we expect to fund acquisitions of additional vessels using equity and debt financing while seeking to maintain moderate leverage. We believe that opportunities exist for acquiring vessels at favorable prices, given the relatively low prices currently prevailing in the market.
- *Continue to operate a high-quality fleet.* We intend to maintain a modern, high-quality fleet that meets or exceeds stringent industry standards and complies with charterer requirements through our technical managers' comprehensive maintenance program. Currently, we operate a fleet of thirteen modern vessels built in shipyards with reputations for constructing high-quality vessels. We believe that owning a modern, high-quality fleet is more attractive to charterers, reduces operating costs and fuel consumption and allows our fleet to be more reliable, which improves utilization. In addition, we have recently initiated a fuel efficiency upgrade program for certain of our vessels, which consists of the installation at their next scheduled drydocking of propulsion efficiency mechanisms and trim optimization software that we believe will enhance fuel savings, reduce emissions and increase the future earnings potential of these vessels. Finally, our technical managers maintain the quality of our vessels by carrying out regular inspections, both while in port and at sea.
- *Maintain an efficient management structure with low operating cost.* Under the Management Agreement, Genco coordinates and oversees the technical management of our fleet and utilizes qualified third-party independent technical managers. We believe that Genco is able to do so at a cost to us that is lower than what could be achieved by performing the function in-house. Genco's management team actively monitors and controls vessel operating expenses incurred by the independent technical managers by overseeing their activities. We believe this can enhance the scalability of our business, allowing us to expand our fleet without substantial increases in overhead costs. We also believe we may realize cost benefits based on the combined size of Genco's fleet and our fleet from the extensive network of sellers of vessel supplies, crewing companies, insurers, and other service providers that Genco and its management team have built over the years.

- *Capitalize on our management's experience and reputation.* We intend to continue to capitalize on the reputation of the management at Genco and our company for high standards of performance, reliability and safety, and maintain strong relationships with major international charterers and other owners, many of whom consider the reputation of a vessel owner and operator when entering into charters and asset sales.

**OUR FLEET**

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

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

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

**FLEET MANAGEMENT**

Genco provides us with commercial and strategic management of our fleet. Commercial management involves negotiating charters for vessels, managing the mix of various types of charters, such as time charters and voyage charters, and monitoring the performance of our vessels under their charters. Strategic management involves locating, purchasing, financing and selling vessels.

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

Wallem, founded in 1971, and Anglo, founded in 1974, are among the largest ship management companies in the world. These technical managers are known worldwide for their agency networks, covering all major ports in China, Hong Kong, Japan, Vietnam, Taiwan, Thailand, Malaysia, Indonesia, the Philippines and Singapore. These technical managers provide services to over 500 vessels of all types, including Capesize, Panamax, Ultramax, Supramax, Handymax and Handysize drybulk carriers that meet strict quality standards.

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

- provide personnel to supervise the maintenance and general efficiency of our vessels;
- arrange and supervise the maintenance of our vessels to our standards to assure that our vessels comply with applicable national and international regulations and the requirements of our vessels classification societies;
- select and train the crews for our vessels, including assuring that the crews have the correct certificates for the types of vessels on which they serve;

- check the compliance of the crews' licenses with the regulations of the vessels' flag states and the International Maritime Organization, or IMO;
- arrange the supply of spares and stores for our vessels; and
- report expense transactions to us, and make its procurement and accounting systems available to us.

## OUR CHARTERS

As of March 2, 2015, all of our vessels were employed under spot market-related time charters, short-term time charters or in vessel pools. Spot market-related time charters and short-term time charters involve the hiring of a vessel from its owner for a period time pursuant to a contract under which the vessel owner places its ship (including its crew and equipment) at the disposal of the charterer. The charterer typically bears all voyage expenses, including the cost of bunkers (fuel), port expenses, agents' fees and canal dues. Spot market-related time charters are subject to the fluctuations in the spot market rather than being based on a fixed daily rate as time charter agreements are.

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

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

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

In connection with the charter of each of our vessels, we incur commissions generally ranging from 1.25% to 6.25% of the total daily charterhire rate of each charter to third-party brokers, which include the 1.25% commission payable to Genco pursuant to the Management Agreement.

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

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

<b>Vessel</b>	<b>Year Built</b>	<b>Charterer</b>	<b>Charter Expiration(1)</b>	<b>Employment Structure</b>	<b>Expected Delivery(2)</b>
<i>Capesize Vessels</i>					
Baltic Bear	2010	Swissmarine Services S.A.	March 2015	101.5% of BCI (3)	
Baltic Wolf	2010	Swissmarine Services S.A.	November 2015	101.5% of BCI (4)	
Baltic Tiger	2011	Swissmarine Services S.A.	October 2015	103% of BCI (5)	
Baltic Lion	2012	Swissmarine Services S.A.	November 2015	103% of BCI (6)	

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<i>Ultramax Vessels</i>					
Baltic Hornet	2014	Swissmarine Asia Pte. Ltd.	November 2015	115.5% of BSI (7)	
Baltic Wasp	2015	Pioneer Navigation Ltd.	December 2015	115% of BSI (8)	
Baltic Scorpion	2015	TBD	TBD	TBD	Q2 2015
Baltic Mantis	2015	TBD	TBD	TBD	Q3 2015
<i>Supramax Vessels</i>					
Baltic Leopard	2009	Harmony Innovation Shipping Ltd.	March 2015	\$4,250 (9)	
Baltic Panther	2009	Bulkhandling Handymax A/S	May 2015	Spot Pool (10)	
Baltic Jaguar	2009	Harmony Innovation Shipping Ltd.	March 2015	\$3,650 (11)	
Baltic Cougar	2009	Bulkhandling Handymax A/S	May 2015	Spot Pool (10)	
<i>Handysize Vessels</i>					
Baltic Wind	2009	Trammo Bulk Carriers	January 2016	107% of BHSI (12)	
Baltic Cove	2010	Trammo Bulk Carriers	March 2015	106% of BHSI (13)	
Baltic Breeze	2010	Clipper Bulk Shipping Ltd.	July 2015	103.5% of BHSI (14)	
Baltic Fox	2010	Clipper Logger Pool	September 2015	Spot Pool (15)	
Baltic Hare	2009	Clipper Logger Pool	September 2015	Spot Pool (15)	

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

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

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

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

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

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

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



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

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

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

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

(12) We have reached an agreement with Trammo Bulk Carriers on a spot-market related time charter for 15.5 to 19.5 months based on 107% of the average of the daily rates of the Baltic Handysize Index (BHSI), published by the Baltic Exchange, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco. The vessel delivered to charterers on October 3, 2014.

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

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

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

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

**CLASSIFICATION AND INSPECTION**

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

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

We have implemented the International Safety Management Code, which was promulgated by the International Maritime

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

## **CREWING AND EMPLOYEES**

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

As of March 2, 2015, we employed approximately 340 seagoing personnel on our vessels.

## **CUSTOMERS**

Our assessment of a charterer's financial condition and reliability is an important factor in negotiating employment for our vessels. We generally charter our vessels to major trading houses (including commodities traders), major producers and government-owned entities rather than to more speculative or undercapitalized entities. Our customers include national, regional and international companies, including Cargill International S.A. and its subsidiaries (Cargill), Swissmarine Services S.A. and its subsidiaries (Swissmarine), Bulkhandling Handymax A/S Pool, in which Torvald Klaveness acts as the pool manager, and the Clipper Logger Pool, in which Clipper Group acts as the pool manager. For the year ended December 31, 2014, these customers individually accounted for 27.29%, 23.52%, 17.20% and 13.21% of voyage revenues, respectively.

## **COMPETITION**

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

## **PERMITS AND AUTHORIZATIONS**

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and other authorizations with respect to our vessels. The kinds of permits, licenses, certificates and other authorizations required for each vessel depend upon several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel's crew and the

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age of the vessel. We believe that we have all material permits, licenses, certificates and other authorizations necessary for the conduct of our operations. However, additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of our doing business.

### INSURANCE

#### *General*

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

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

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

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

*Protection and Indemnity Insurance*

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

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

*Loss of Hire Insurance*

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

**ENVIRONMENTAL AND OTHER REGULATION**

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

A variety of governmental and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities, (applicable national authorities such as the U.S. Coast Guard and harbor masters), classification societies, flag state

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administrations (countries of registry) and charterers. Some of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Our failure to maintain necessary permits, licenses, certificates or authorizations could require us to incur substantial costs or temporarily suspend the operation of one or more of our vessels.

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

### *International Maritime Organization (IMO)*

The United Nations International Maritime Organization (the IMO) has adopted the International Convention for the Prevention of Pollution from Ships of 1973, as modified by the Protocol of 1978 relating thereto (collectively referred to as MARPOL 73/78 and herein as MARPOL). MARPOL entered into force on October 2, 1983. It has been adopted by over 150 nations,

including many of the jurisdictions in which our vessels operate. MARPOL is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried, in bulk, in liquid or packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997.

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

#### *Air Emissions*

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

The MEPC, adopted amendments to Annex VI on October 10, 2008, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. As of January 1, 2012, the amended Annex VI requires that fuel oil contain no more than 3.50% sulfur (from the previous cap of 4.50%). By January 1, 2020, sulfur content must not exceed 0.50%, subject to a feasibility review to be completed no later than 2018.

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

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

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

### *Safety Management System Requirements*

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

Under Chapter IX of SOLAS, the International Management Code for the Safe Operation of Ships and for Pollution Prevention ( ISM Code ), our operations are also subject to environmental standards and requirements. The ISM Code requires the owner of a vessel, or any person who has taken responsibility for operation of a vessel, to develop an extensive safety management



system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical manager have developed for compliance with the ISM Code. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators also obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. We believe that we have all material requisite documents of compliance for our offices and safety management certificates for all of our vessels for which such certificates are required by the IMO. We renew these documents of compliance and safety management certificates as required.

#### *Pollution Control and Liability Requirements*

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the nation's signatory to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships Ballast Water and Sediments (BWM Convention) in February 2004. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not become effective until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world's merchant shipping. To date, there has not been sufficient adoption of this standard for it to take force. Many of the implementation dates in the BWM Convention have already passed, so that once the BWM Convention enters into force, the period of installation of mandatory ballast water exchange requirements would be extremely short, with several thousand ships a year needing to install ballast water management systems (BWMS). For this reason, on December 4, 2013, the IMO Assembly passed a resolution revising the application dates of the BWM Convention so that they are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels constructed before the entry into force date existing vessels and allows for the installation of a BWMS on such vessels at the first renewal survey following entry into force of the convention. Once mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance would increase for ocean carriers. The system specification requirements for trading in the U.S. have not been formalized, but we believe the ballast water treatment systems will range from \$0.7 million to \$1.0 million each, primarily dependent on the size of the vessel. It is difficult to predict the overall impact of such requirement on our operations.

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

The IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, to impose strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the

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Convention on Limitation of Liability for Maritime Claims of 1976, as amended). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

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

*Anti-Fouling Requirements*

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

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

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

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

- injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- injury to, or economic losses resulting from, the destruction of real and personal property;
- net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property or natural resources;
- loss of subsistence use of natural resources that are injured, destroyed or lost;
- lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and

- net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

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

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

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

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

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

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

#### *Other United States Environmental Regulations*

The U.S. Clean Water Act (CWA), prohibits the discharge of oil or hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. In addition, many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law.

The EPA has enacted rules requiring a permit regulating ballast water discharges and other discharges incidental to the normal operation of certain vessels within the U.S. waters under the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels (the VGP). For a new vessel delivered to an owner or operator after September 19, 2009 to be covered by the VGP, the owner must submit a Notice of Intent (NOI) at least 30 days before the vessel operates in U.S. waters. On March 28, 2013, EPA re-issued the VGP for another five years; this 2013 VGP took effect December 19, 2013. The 2013 VGP contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants. We have submitted NOIs for our vessels where required.

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

before it is placed on a vessel.

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

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

#### *European Union Regulations*

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of

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

#### *Greenhouse Gas Regulation*

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

#### *International Labour Organization*

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

#### *Vessel Security Regulations*

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

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter V became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the International Ship and Port Facilities Security Code (the ISPS Code). The ISPS Code is designed to enhance the security of ports and ships against terrorism. Amendments to SOLAS Chapter VII, made mandatory in 2004, apply to vessels transporting dangerous goods

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and require those vessels be in compliance with the International Maritime Dangerous Goods Code ( IMDG Code ). To trade internationally, a vessel must attain an International Ship Security Certificate ( ISSC ) from a recognized security organization approved by the vessel's flag state. Among the various requirements are:

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



flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and

- compliance with flag state security certification requirements.

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

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

#### *Inspection by Classification Societies*

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

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

For maintenance of the class certification, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classes are required to be performed as follows:

- *Annual Surveys:* For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, within three months before or after each anniversary date of the date of commencement of the class period indicated in the certificate.

- *Intermediate Surveys:* Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys are to be carried out at or between the occasion of the second or third annual survey.

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

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

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

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as in class by a classification society which is a member of the International Association of Classification Societies (IACS). In December 2013, the IACS adopted new harmonized Common Structural Rules, which will apply to oil tankers and bulk carriers contracted to be

constructed on or after July 1, 2015. All of our vessels have been certified as being in class by ABS, DNVGL or Lloyd's. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard agreements.

## SEASONALITY

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, may result in quarter-to-quarter volatility in our operating results because our vessels are traded on the spot market. The drybulk sector is typically stronger in the fall and winter months in anticipation of increased consumption of coal and raw materials in the northern hemisphere during the winter months. As a result, our revenues could be weaker during the fiscal quarters ended June 30 and September 30 and conversely, our revenues could be stronger during the quarters ended December 31 and March 31.

## ITEM 1A. RISK FACTORS

### ADDITIONAL FACTORS THAT MAY AFFECT FUTURE RESULTS

This annual report on Form 10-K contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements use words such as anticipate, budget, estimate, expect, project, intend, believe, and other words and terms of similar meaning in connection with a discussion of potential future events, circumstances or future operating or financial performance. These forward-looking statements are based on our management's current expectations and observations. Included among the factors that, in our view, could cause actual results to differ materially from the forward looking statements contained in this annual report on Form 10-K are the following (i) declines in demand or rates in the drybulk shipping industry; (ii) prolonged weakness in drybulk shipping rates; (iii) changes in the supply of or demand for drybulk products, generally or in particular regions; (iv) changes in the supply of drybulk carriers, including newbuilding of vessels or lower than anticipated scrapping of older vessels; (v) changes in rules and regulations applicable to the cargo industry, including, without limitation, legislation adopted by international organizations or by individual countries and actions taken by regulatory authorities; (vi) increases in costs and expenses including but not limited to: crew wages, insurance, provisions, lube oil, bunkers, repairs, maintenance and general, administrative and management fee expenses; (vii) whether our insurance arrangements are adequate; (viii) changes in general domestic and international political conditions; (ix) acts of war, terrorism, or piracy; (x) changes in the condition of our vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated drydocking or maintenance and repair costs) and unanticipated drydock expenditures; (xi) the amount of off-hire time needed to complete repairs on vessels and the timing and amount of any reimbursement by our insurance carriers for insurance claims, including off-hire days; (xii) our acquisition or disposition of vessels; (xiii) our ability to leverage Genco's relationships and reputation in the shipping industry; (xiv) the completion of definitive documentation with respect to charters; (xv) charterers' compliance with the terms of their charters in the current market environment; (xvi) the fulfillment of the closing conditions under, or the execution of additional documentation for, the Company's agreements to acquire vessels; (xvii) obtaining, completion of definitive documentation for, and funding of financing for the vessel acquisitions on acceptable terms; (xviii) those other risks and uncertainties discussed below under the heading "RISK FACTORS RELATED TO OUR BUSINESS & OPERATIONS", and (xix) other factors listed from time to time in our filings with the Securities and Exchange Commission (the "SEC"). Our ability to pay dividends in any period will depend upon various factors, including the limitations under any credit agreements to which we may be a party to, applicable provisions of Marshall Islands law and the final determination by the Board of Directors each quarter after its review of our financial performance. The timing and amount of dividends, if any, could also be affected by factors affecting cash flows, results of operations, required capital expenditures, or reserves. As a result, the amount of dividends actually paid may vary. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

common stock could decline.

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

### **Industry Specific Risk Factors**

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

While economies in certain parts of the world are in the initial stages of recovery, growth in economies such as China that have historically led to increased demand for drybulk cargoes has decelerated. Decreasing demand for drybulk cargoes has led to lower demand for drybulk vessels, which combined with increased supply of drybulk vessels has created downward pressure on charter rates. General market volatility has endured as a result of uncertainty about sovereign debt and government austerity measures and speculation about the growth rate of the Chinese economy. The economies of the European Union and other parts of the world

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continue to experience relatively slow growth or exhibit weak economic trends. If the current global economic environment persists or worsens, we may be negatively affected in the following ways:

- We may not be able to employ our vessels at charter rates as favorable to us as historical rates or operate our vessels profitably.
- Our earnings and cash flows could remain at depressed levels or decline, which may cause us to breach one or more of the covenants in the \$148 Million Credit Facility (which was used to refinance the 2010 Credit Facility), the \$22 Million Term Loan Facility, the \$44 Million Term Loan Facility or the 2014 Term Loan Facilities, thereby potentially accelerating the repayment of outstanding facility borrowings. We face potential liquidity issues, and without taking remedial measures that are available to us, it is probable that we will not remain in compliance with the minimum cash covenants under our credit facilities within the next six months. Please refer to Restrictive covenants under our credit facilities may be difficult to satisfy in the current market environment below for further details.
- The market values of our vessels have decreased, which may cause us to recognize losses if any of our vessels are sold or if their values are impaired. A further decline in the market value of our vessels could trigger defaults under our credit facilities covenants. In particular, all of our credit facilities contain collateral maintenance covenants. Please refer to The market values of our vessels may decrease, which could adversely affect our operating results or cause us to breach one or more of the covenants in our credit facilities below for further details.
- Our charterers may fail to meet their obligations under our time charter agreements.

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

*Charterhire rates for drybulk carriers are volatile and are currently at levels below its highs during 2008 and may further decrease in the future, which may adversely affect our earnings.*

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

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

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

*We charter all of our vessels principally in vessel pools or on spot market-related time charters and, as a result, we are exposed to the cyclicity and volatility of the spot charter market.*

Because we charter all of our vessels principally in vessel pools or on spot market-related time charters, or we may acquire vessels that are subject to existing charters, we are exposed to the cyclicity and volatility of the spot charter market, and we do not have long-term, fixed-rate time charters to ameliorate the adverse effects of downturns in the spot market. Capesize vessels, which we operate as part of our fleet, have been particularly susceptible to volatility in spot charter rates. We cannot assure you that we will be

able to successfully charter our vessels in the future at rates sufficient to allow us to meet our obligations or to pay dividends to our shareholders.

The supply of and demand for shipping capacity strongly influences freight rates. In addition, vessels may experience repeated periods of unemployment between spot charters. The successful operation of our vessels in the spot market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo, or ballast time. There have been times, including the recent past, when spot rates have declined below the operating cost of vessels. Future spot rates may decline significantly and may not be sufficient to enable our vessels trading in the spot market to operate profitably or for us to pay dividends and may have a material adverse effect on our cash flows and financial condition. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable. The current global financial crisis has intensified this unpredictability.

The factors that influence demand for vessel capacity include:

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

The factors that influence the supply of vessel capacity include:

- the number of newbuilding deliveries;
- port and canal congestion;

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

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

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

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

The market supply of drybulk carriers has been increasing as a result of the delivery of numerous newbuilding orders over the



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

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

If the book value of one of our vessels is impaired due to unfavorable market conditions or a vessel is sold at a price below its book value, we would incur a loss that could adversely affect our financial results. Also, certain covenants in our credit facilities depend on the market value of our fleet, and covenants of any other credit facility we may enter into may also depend on such market value. See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources for further details on the covenants in these credit facilities. If the market value of our fleet declines, we could breach certain provisions of these facilities, which could accelerate the repayment of outstanding borrowings under such facility or may limit the total amount that we may borrow under such facility. In such an event, we may not be able to refinance our debt or obtain additional financing under any credit facility. The occurrence of these events could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

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

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

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

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

A significant number of the port calls made by our vessels involve the loading or discharging of raw materials and semi-finished products in ports in the Asia Pacific region. As a result, a negative change in economic conditions in any Asia Pacific country, and particularly in China, India or Japan, could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends. In particular, in recent years, China has been one of the world's fastest growing economies in terms of gross domestic product. China's gross domestic product grew by 7.4% in 2014 as compared to a 7.7% growth rate in 2013. We cannot assure you that the Chinese economy will not experience a significant contraction in the future. If the Chinese government does not continue to pursue a policy of economic

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growth and urbanization, the level of imports to and exports from China could be adversely affected by changes to these initiatives by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions. Notwithstanding economic reform, the Chinese government may adopt policies that favor domestic drybulk shipping companies and may hinder our ability to compete with them effectively. Moreover, a significant or protracted slowdown in the economies of the United States, the European Union or various Asian countries may adversely affect economic growth in China and elsewhere. Our business, results of operations, cash flows, financial condition and ability to pay dividends will likely be materially and adversely affected by an economic downturn in any of these countries.

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

Our business and the operation of our vessels are materially affected by government regulation in the form of international conventions and national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the countries of their registration. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate

cost of complying with them or their impact on the resale prices or useful lives of our vessels. Additional conventions, laws and regulations may be adopted that could limit our ability to do business or increase the cost of our doing business and that may materially adversely affect our business, results of operations, cash flows, financial condition and ability to pay dividends. See *Overview Environmental and Other Regulation* in Item 1, *Business* of this report for a discussion of such conventions, laws, and regulations. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and financial assurances with respect to our operations.

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

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

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

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

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

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

The international shipping industry is an inherently risky business involving global operations. Our vessels are at risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. All these hazards can result in death or injury to persons, increased costs, loss of revenues, loss or damage to property (including cargo), environmental damage, higher insurance rates, damage to our customer relationships, harm to our reputation as a safe and reliable operator and delay or rerouting. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. Our vessels may operate in particularly

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dangerous areas, including areas of the Indian Ocean, the Gulf of Aden, the South China Sea and the Red Sea. These sorts of events could interfere with shipping routes and result in market disruptions which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

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

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

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

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

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean, the Gulf of Aden and the Red Sea. Since 2008, the frequency of piracy incidents increased significantly, particularly in the Gulf of Aden off the coast of Somalia. If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as war risk zones, or Joint War Committee (JWC) war and strikes listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred to the extent we employ onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows, financial condition and ability to pay dividends.

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

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

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

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

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

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

If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade

between ports and will be unemployable and we could be in violation of certain covenants in our credit facilities, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

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

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

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

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

*Labor interruptions could disrupt our business.*

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

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

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

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

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

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

A government of a vessel's registry could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. A government could also requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.



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

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

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

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

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

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

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

Given the negative impact of the current weak drybulk rate environment on our earnings, we face potential liquidity and covenant compliance issues. Our credit facilities require us to maintain a minimum cash balance of \$11.3 million as measured at each quarter-end. In light of our requirements to fund our ongoing operations and acquisitions and make payments under our credit facilities, our current cash reserves, and current drybulk shipping rates, we believe that without taking remedial measures that are available to us, it is probable that we will not remain in compliance with our minimum cash covenants under our credit facilities within the next six months. To address our compliance, we may seek waivers or modifications to our credit agreements from our lenders, which may be unavailable or subject to conditions, or we may pursue one or

more financing options described below.

Given the foregoing, we may require capital to fund ongoing operations, acquisitions (including the two Ultramax newbuildings we have agreed to acquire) and debt service. We may also seek to refinance our indebtedness or raise additional capital through equity or debt offerings or selling assets (including vessels), reduce or delay capital expenditures, or pursue other options available to us. We cannot be certain that we will accomplish any such actions.

Absent any of the foregoing obligations, if we do not comply with our credit facility covenants and fail to cure our non-compliance following applicable notice and expiration of applicable cure periods, we will be in default of one or more of our credit facilities. As a result, some or all of our indebtedness could be declared immediately due and payable, and we may not have sufficient assets available to satisfy our obligations. Substantially all of our assets are pledged as collateral to our lenders, and our lenders may seek to foreclose on their collateral if a default occurs. We may have to seek alternative sources of financing on terms that may not be favorable to us or that may not be available at all. We therefore could experience a material adverse effect on our business, financial condition, results of operations and cash flows.

*We have a limited operating history on which you can evaluate our business strategy.*

Our vessel operating history commenced in April 2010 with the delivery of the first vessel we agreed to purchase prior to our IPO, and we have taken delivery of 14 additional vessels since that time. Given the limited period of time in which we have been operating our fleet, there can be no assurance that our business strategy and operations will be successful.

*We may not be able to implement our growth effectively.*

A principal focus of our business strategy is to grow by expanding our business. Our growth plan therefore depends upon a number of factors, some of which may not be within our control. These factors include our ability to:

- identify suitable vessels or shipping companies for acquisitions or joint ventures to grow our fleet in the future;
- integrate successfully any acquired vessels or businesses with our existing operations; and
- obtain required financing for our existing and any new operations.

Growing any business by acquisition presents numerous risks, including undisclosed liabilities and obligations, difficulty obtaining additional qualified personnel, managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. In addition, competition from other companies, many of which have significantly greater financial resources than do we or Genco, may reduce our acquisition opportunities or cause us to pay higher prices. We cannot assure you that we will be successful in executing our plans to establish and grow our business or that we will not incur significant expenses and losses in connection with these plans. Our failure to effectively identify, purchase, develop and integrate any vessels or businesses could adversely affect our business, financial condition and results of operations.

Our acquisition growth strategy exposes us to risks that may harm our business, financial condition and operating results, including risks that we may:

- fail to realize anticipated benefits, such as new customer relationships, cost-savings or cash flow enhancements;
- incur or assume unanticipated liabilities, losses or costs associated with any vessels or businesses acquired, particularly if any vessel we acquire proves not to be in good condition;

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- be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet;
- decrease our liquidity by using a significant portion of available cash or borrowing capacity to finance acquisitions;
- significantly increase our interest expense or financial leverage if we incur additional debt to finance acquisitions; or
- incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

Moreover, to the extent we have future opportunities to expand our fleet, our strategy is to do so primarily through equity financing, which we expect will mainly consist of issuances of additional shares of our common stock, and debt financing, while seeking to maintain relatively low leverage. During the year ended December 31, 2013, we completed three common stock offerings of a total of 32,869,217 common shares to assist in financing the four vessel purchases during the year. We have entered into the \$148 Million Credit Facility on December 31, 2014 which refinanced the 2010 Credit Facility which provided bridge financing for vessel acquisitions. On October 8, 2014, we entered in the 2014 Term Loan Facilities to finance the purchase of the acquisition of two vessels. Lastly, during the year ended December 31, 2013, we entered into the \$22 Million Term Loan Facility and \$44 Million Term Loan Facility to finance the purchase of the acquisition of four vessels. If we are unable to complete equity issuances at prices that we deem acceptable, or our internally generated cash flow or credit facility are insufficient to finance future vessel acquisitions, we may need to revise our growth plan or consider alternative forms of financing.

*We depend on Genco to assist us in operating our business and competing in our markets, and our business will be harmed if Genco fails to assist us effectively.*

We are party to a Management Agreement with Genco as our Manager, pursuant to which Genco provides to us commercial,

technical, administrative and strategic services, including vessel maintenance, crewing, purchasing, shipyard supervision, insurance and financial services. Our operational success and ability to execute our growth strategy will depend significantly upon the satisfactory performance of these services by Genco. Our business will be harmed if Genco fails to perform these services satisfactorily, if it stops providing these services to us for any reason or if it terminates the Management Agreement, as it is entitled to do under certain circumstances.

The challenges that Genco faces in the operation of its business in the current environment could negatively impact its ability to provide us services under the Management Agreement. The circumstances under which we are able to terminate the Management Agreement are extremely limited and do not include mere dissatisfaction with our Manager's performance. In addition, upon any termination of the Management Agreement, we may lose our ability to benefit from economies of scale in purchasing supplies and other advantages that we believe our relationship with Genco provides.

If Genco suffers material damage to its reputation or relationships, it may harm our ability to:

- acquire new vessels;
- enter into new charters for our vessels;
- obtain financing on commercially acceptable terms; or
- maintain satisfactory relationships with charterers, suppliers and other third parties.

If our ability to do any of the things described above is impaired, it could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to shareholders. For further information concerning Genco, please refer to its reports filed with the SEC, its press releases, and its website at [www.gencoshipping.com](http://www.gencoshipping.com).

*Genco and its affiliates may compete with us or claim business opportunities that would benefit us.*

Genco may compete with us and is not contractually restricted from doing so. Our amended and restated articles of incorporation and our Omnibus Agreement with Genco specify that Genco has a right of first refusal with respect to business opportunities generally except with respect to certain spot charter opportunities, as to which we have a right of first refusal. The most common types of business opportunities for which Genco has a right of first refusal are vessel purchase and sale opportunities and charters other than the spot charter opportunities for which we have a right of first refusal. Other business opportunities for which Genco has a result of first refusal are to hire employees, acquire other businesses, or enter into joint ventures. These provisions may strengthen Genco's ability to compete with us or claim business opportunities that would benefit us, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*We may be unable to pay dividends.*

As a result of the current market conditions, the Board of Directors did not declare a dividend for the fourth quarter of 2014. Historically, our intention has been to pay a variable quarterly dividend equal to our Cash Available for Distribution, as defined herein, from the previous quarter, subject to any reserves our Board of Directors may from time to time determine are required. The amount of Cash Available for Distribution will principally depend upon the amount of cash we generate from our operations, which may fluctuate from quarter to quarter based upon, among other things:

- the cyclicalities in the spot vessel market;
- the rates we obtain from our charters;
- the price and demand for drybulk cargoes;
- the level of our operating costs, such as the cost of crews and insurance;
- the number of off-hire days for our fleet and the timing of, and number of days required for, drydocking of our vessels;
- delays in the delivery of any vessels we have agreed to acquire;
- prevailing global and regional economic and political conditions; and

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- the effect of governmental regulations and maritime self-regulatory organization standards on the conduct of our business.

The actual amount of cash generated also will depend upon other factors, such as:

- the level of capital expenditures we make, including for maintaining existing vessels and acquiring new vessels, which we expect will be substantial;
- our debt service requirements and restrictions on distributions contained in any credit agreement we may enter into;
- fluctuations in our working capital needs; and
- the amount of any cash reserves established by our Board of Directors, including reserves for working capital and other matters.

In addition, the declaration and payment of dividends is subject at all times to the discretion of our Board of Directors and compliance with the laws of the Republic of the Marshall Islands. Please read [Dividend Policy](#) herein for more details.

*Our ability to grow and satisfy our financial needs may be adversely affected by our dividend policy.*

Our dividend policy calls for us to distribute all of our Cash Available for Distribution on a quarterly basis, subject to any reserves that our Board of Directors may determine are required. We have paid dividends in recent quarters even though the application of the formula in our policy would not have resulted in a dividend, although we may not continue to do so. Accordingly, our growth, if any, will be financed principally by equity capital raising and, therefore, may not be as fast as businesses that reinvest their cash to expand ongoing operations.

In determining the amount of Cash Available for Distribution, our Board of Directors will consider contingent liabilities, the terms of our existing credit facilities as well as any credit facilities we may enter into, our other cash needs and the requirements of Marshall Islands law. We believe that we will generally finance any maintenance and expansion capital expenditures from cash balances or external financing sources (which we intend as part of our strategy to be equity issuances and borrowings under a credit facility, but could include debt issuances). To the extent we do not have sufficient cash reserves or are unable to obtain financing for these purposes, our dividend policy may significantly impair our ability to meet our financial needs or to grow.

*We must make substantial capital expenditures to maintain the operating capacity of our fleet, which may reduce the amount of cash for dividends to our shareholders.*

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We must make substantial capital expenditures to maintain the operating capacity of our fleet. We generally finance these maintenance capital expenditures with cash balances or undrawn credit facilities. We anticipate growing our fleet through the acquisition of vessels, which would increase the level of our maintenance capital expenditures.

Maintenance capital expenditures include capital expenditures associated with drydocking a vessel, modifying an existing vessel or acquiring a new vessel to the extent these expenditures are incurred to maintain the operating capacity of our fleet. These expenditures could increase as a result of changes in the cost of labor and materials; customer requirements; increases in our fleet size or the cost of replacement vessels; governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment; and competitive standards.

In addition, maintenance capital expenditures will vary significantly from quarter to quarter based on the number of vessels drydocked during that quarter. Significant maintenance capital expenditures may reduce the amount of Cash Available for Distribution to our shareholders.

*We will be required to make substantial capital expenditures to expand the size of our fleet, which may diminish our ability to pay dividends, increase our financial leverage, or dilute our shareholders' ownership interest in us.*

We will be required to make substantial capital expenditures to increase the size of our fleet. We intend to expand our fleet by acquiring existing vessels from other parties or newbuilding vessels, which we refer to as newbuildings.

We generally will be required to make installment payments on any newbuildings prior to their delivery. We typically would pay 10% to 25% of the purchase price of a vessel upon signing the purchase contract, even though delivery of the completed vessel will not occur until much later (approximately three to four years from the order). If we finance all or a portion of these acquisition costs through entering into new credit facilities, we will increase the aggregate amount of interest we must pay prior to generating



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cash from the operation of the newbuilding. Any interest expense we incur in connection with financing our vessel acquisitions, including capitalized interest expense, will decrease the amount of our dividends. If we finance these acquisition costs by issuing shares of common stock, we will dilute our quarterly per-share dividends prior to generating cash from the operation of the newbuilding.

To fund expansion capital expenditures, we may be required to use cash balances, cash from operations, incur borrowings or raise capital through the sale of debt or additional equity securities. Use of cash from operations will reduce the amount of cash for dividends to our shareholders. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain funds for capital expenditures could have a material adverse effect on our business, results of operations and financial condition and on our ability to pay dividends. Even if we are successful in obtaining the necessary funds, the terms of such financings could limit our ability to pay dividends to shareholders. In addition, incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional equity securities may result in significant shareholder ownership or dividend dilution.

*Our executive officers and the officers of our Manager will not devote all of their time to our business, which may hinder our ability to operate successfully.*

Our executive officers and the officers of our Manager are involved in other Genco business activities, which may result in their spending less time than is appropriate or necessary to manage our business successfully. Based solely on the anticipated relative sizes of our fleet and Genco's fleet over the next twelve months, we estimate that John C. Wobensmith, our President and Chief Financial Officer, and other officers of Genco will spend approximately 15-20% of their monthly business time on our business activities and approximately 80-85% of such time on Genco's. However, the actual allocation of time could vary significantly from time to time depending on various circumstances and needs of the businesses, such as the relative levels of strategic activities of the businesses. This could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*Our executive officers and directors, our Manager, and the executive officers and directors of our Manager have conflicts of interest and limited duties, which may permit them to favor interests of Genco or its affiliates above our interests and those of our common shareholders and allow Genco to compete with us.*

Conflicts of interest may arise between Genco, our Manager, and its affiliates, on the one hand, and us and our shareholders, on the other hand. These conflicts include, among others, the following situations:

- Our amended and restated articles of incorporation and the Omnibus Agreement specify that Genco has a right of first refusal with respect to business opportunities generally, such as vessel purchase and sale opportunities and most charter opportunities, but excluding certain spot charter opportunities as to which we have a right of first refusal. Our President and Chief Financial Officer and certain of our directors also serve as executive officers or directors of Genco, who is our Manager, or its affiliates. As a result of the right of first refusal provision, the obligation of these individuals to provide opportunities to us will be limited.
- Our Manager advises our Board of Directors about the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuances of additional common stock and cash reserves, each of which can affect the amount of the Cash Available for Distribution to our shareholders.

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- Our executive officers and those of our Manager do not spend all of their time on matters related to our business.
- Our Manager advises us of costs incurred by it and its affiliates that it believes are reimbursable by us.

As a result of these conflicts, as well as any others that may arise pursuant to such arrangements, our Manager may favor its own interests and the interests of its affiliates over our interests and those of our shareholders, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*The fiduciary duties of our officers and directors may conflict with those of the officers and directors of Genco and its affiliates.*

Our officers and directors have fiduciary duties to manage our business in a manner beneficial to our shareholders and us. However, our Chairman, and our President and Chief Financial Officer also serve as executive officers or directors of Genco. As a result, these individuals have fiduciary duties to manage the business of Genco and its affiliates in a manner beneficial to such entities and their shareholders. Consequently, these officers and directors may encounter situations in which their fiduciary obligations to Genco and us are in conflict. We believe the principal situations in which these conflicts may occur are in the allocation of business

opportunities to Genco or us, particularly with respect to the allocation of chartering or vessel sale and purchase opportunities. The Omnibus Agreement is intended to reduce these conflicts by granting a right of first refusal for certain spot chartering opportunities to us while granting a right of first refusal to Genco for other business opportunities generally. The resolution of these conflicts may not always be in our best interest or that of our shareholders and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

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

Our Chairman, Peter C. Georgiopoulos, is not an employee of our company or of Genco and is not contractually committed to remain as a director of our company or to refrain from other activities in our industry. Mr. Georgiopoulos actively reviews potential investment opportunities in the shipping industry, including the drybulk sector, from time to time. Mr. Georgiopoulos controls and has a minority interest in Maritime Equity Partners LLC ( MEP ), which owns an aggregate of 12 drybulk vessels. Mr. Georgiopoulos has informed us that so long as he is a director of our company, prior to making an investment in an entity owning or operating drybulk vessels, he intends to disclose the details of such investment to our Board of Directors and our independent directors and allow us to pursue the opportunity, subject to Genco's right of first refusal, to the extent we choose to do so and are able. However, in the event we choose not to, or are unable to, pursue any such opportunity, Mr. Georgiopoulos may proceed, either alone or with others, with such investments. As a result of such investments, Mr. Georgiopoulos may have independent interests in the ownership and operation of drybulk vessels that may conflict with our interests.

*Our Manager has rights to terminate the Management Agreement and, under certain circumstances, could receive substantial sums in connection with such termination; however, even if our Board of Directors or our shareholders are dissatisfied with our Manager, there are limited circumstances under which we can terminate the Management Agreement.*

The Management Agreement has an initial term of approximately 15 years and will automatically renew for subsequent five-year terms provided that certain conditions are met. Our Manager has the right, after five years following the completion of our IPO in March 2010, to terminate the Management Agreement with 12 months' notice. Our Manager also has the right to terminate the Management Agreement after a dispute resolution process if we have materially breached the Management Agreement.

Our Manager may elect to terminate the Management Agreement upon the sale of all or substantially all of our assets to a third party, our liquidation or after any change of control of our company occurs. If our Manager so elects to terminate the Management Agreement, then our Manager may be paid a termination fee. This termination payment is generally calculated as five times the average annual management fees payable to Genco for the last five completed years of the term of the Management Agreement, or such lesser number of years as may have been completed at the time of termination. As of December 31, 2014, the termination payment that would be due to Genco is approximately \$21.0 million. In addition, our rights to terminate the Management Agreement are limited. Even if we are not satisfied with the Manager's efforts in managing our business, unless our Manager materially breaches the agreement or there is a change in Control of our Manager, we may terminate the Management Agreement only:

- if we provide notice in the fiscal quarter that is four fiscal quarters before the fiscal quarter containing the tenth anniversary of the date on which we took delivery of our first vessel (which was in April 2010) after two-thirds of our Board of Directors elect to terminate the Management Agreement, which termination would be effective the last day of the fiscal quarter that contains such tenth anniversary; or

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- if we provide notice of termination in the fiscal quarter that is four fiscal quarters before the fiscal quarter containing the fifteenth anniversary of the date on which we take delivery of our first vessel, which termination would be effective the last day of our fiscal quarter that contains such fifteenth anniversary.

If we elect to terminate the Management Agreement at either of these points or at the end of a subsequent renewal term, our Manager will receive a termination fee, which may be substantial.

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

Under the Management Agreement, we must pay for vessel operating expenses (including crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses), and in addition for spot or voyage charters, voyage expenses (including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and conversions). Our vessel operating expenses also include the costs of crewing and insurance. In addition, to the extent we employ our vessels on voyage charters, we will also have to bear the cost of bunkers. The price of bunker fuel may increase or decrease in the future. Further, if our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. Moreover, we expect that the cost of maintenance and drydocking will increase as our fleet ages. Increases in any of these costs would decrease our earnings, cash flows and the amount of Cash Available for Distribution to our shareholders.

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

*Our financing agreements contain operating and financial restrictions that restrict our business and financing activities.*

The operating and financial restrictions and covenants contained in the \$148 Million Credit Facility (which refinanced the 2010 Credit Facility), \$22 Million Term Loan Facility, \$44 Million Term Loan Facility, 2014 Term Loan Facilities and any future financing agreements could adversely affect our ability to finance future operations or capital needs or to pursue and expand our business activities. For example, these financing arrangements may restrict our ability to:

- pay dividends;
- incur or guarantee indebtedness;
- change ownership or structure, including mergers, consolidations, liquidations and dissolutions;
- incur liens on our assets;
- sell, transfer, assign or convey assets;
- make certain investments; and
- enter into a new line of business.

Our credit facilities require us to comply with a number of covenants, including financial covenants related to liquidity, leverage, consolidated net worth, and collateral maintenance, restrictions on changes in our Manager, limitations on changes to the Management Agreement between Genco and us, limitations on changes in control, limitations on liens, limitations on additional indebtedness, restrictions on paying dividends, restrictions on transactions with affiliates and other customary covenants.

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As of March 2, 2015, Genco owns 6,356,471 shares of our Class B Stock, representing a 10.85% ownership interest in us and 64.60% of the aggregate voting power of our outstanding shares of stock. If Genco's ownership interest in us were to decrease to less than 10%, the outstanding Class B Stock would automatically convert into common stock, and the voting power held by Genco would decrease to less than 30%. Unless our credit facilities are amended or modified, such a conversion and reduction in Genco's voting power would result in a change of control as defined under our credit facilities, which in turn would constitute an event of default. Accordingly, unless our credit facilities are amended or modified, our ability to issue equity may be limited. If we cannot raise funds on acceptable terms if and when needed, we may not be able to take advantage of future opportunities, grow our business or respond to competitive pressures or unanticipated requirements. In addition, it would likewise constitute a change of control and an event of default under our credit facilities if any party or group other than Genco or certain other permitted holders beneficially owns more than 30% of our outstanding voting or economic equity interests, which may occur if a party or group were deemed to control Genco.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours, and we cannot guarantee that we will be able to obtain our lenders' permission when needed. This may prevent us from taking actions that are in our best interest and from executing our business strategy of growth through acquisitions and may restrict or limit our ability to pay dividends and finance our future operations.

Our ability to comply with covenants and restrictions contained in debt instruments also may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, we may fail to comply with these covenants. If we breach any of the restrictions, covenants, ratios or tests in the financing agreements, our obligations may become immediately due and payable, and the lenders' commitment, if any, to make further loans may terminate. A default under financing agreements could also result in foreclosure on any of our vessels and other assets securing related loans. The occurrence of any of these events could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*Restrictions in our existing credit facilities and any other potential future debt agreements may prevent us from paying dividends.*

The payment of principal and interest on any debt we have or may incur will reduce the amount of cash for dividends to our shareholders. In addition, our credit facilities include restrictions on paying dividends in certain circumstances and we expect that any additional future financing agreements will prohibit the payment of dividends upon the occurrence of the following events, among

others:

- failure to pay any principal, interest, fees, expenses or other amounts when due;
- failure to notify the lenders of any material oil spill or discharge of hazardous material, or of any action or claim related thereto;
- breach or lapse of any insurance with respect to the vessels;
- breach of certain financial covenants;
- failure to observe any other agreement, security instrument, obligation or covenant beyond specified cure periods in certain cases;
- default under other indebtedness;
- bankruptcy or insolvency events;
- failure of any representation or warranty to be materially correct; and
- a change of control, as defined in the applicable agreement.

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

Our current business strategy includes growth through the acquisition of previously owned vessels. While we typically inspect previously owned vessels before purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Accordingly, we may not discover defects or other problems with such vessels before purchase. Any such hidden defects or problems, when detected, may be expensive to repair, and if not detected, may result in accidents or other incidents for which we may become liable to third parties. Also, when purchasing previously owned vessels, we do not receive the benefit of any builder warranties if the vessels we buy are older than one year.

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In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. The average age of the vessels in our current fleet is approximately 4.3 years. Older vessels are typically less fuel efficient than more recently constructed vessels due to improvements in engine technology and cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

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

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

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

*We depend upon a small number of charterers for all of our revenues. The loss of one or more of these charterers could adversely affect our financial performance.*

We derive all of our revenues from a small number of charterers. For the year ended December 31, 2014, 100% of our revenues were derived from twelve charterers. If we were to lose any of these charterers, or if any of these charterers significantly reduced its use of our services or was unable to make charter payments to us, it could have a material adverse effect on our business,



results of operations, cash flows, financial condition and ability to pay dividends.

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

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

*We maintain all of our cash with one financial institution, which subjects us to credit risk.*

Currently, we maintain all of our cash with one financial institution and we expect to do so for the foreseeable future. This financial institution is located in the Cayman Islands, although in the future we may select other financial institutions located in other countries. None of our balances are covered by insurance in the event of default by this financial institution. The occurrence of such a default could therefore have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

In order to fund our capital expenditures, we generally plan to use equity financing. If equity financing is not available on favorable terms, we may have to use debt financing. Our ability to borrow money and access the capital markets through future offerings may be limited by our financial condition at the time of any such offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for necessary future capital expenditures could limit our ability to continue to operate some of our vessels or impair the values of our vessels and could have a material adverse effect on our business, results of operations, financial condition, cash flows and ability to pay dividends. Even if we are successful in obtaining such funds through financings, the terms of such financings could further limit our ability to pay dividends.

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

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

*Our ability to obtain debt financing may depend on the performance of our business, our Manager, and market conditions.*

The actual or perceived credit quality of our business, our Manager, and market conditions affecting the spot charter market and the credit markets may materially affect our ability to obtain the additional capital resources that may be required to purchase additional vessels or may significantly increase our costs of obtaining such capital. We have obtained commercial bank debt to finance a portion of the purchase price of four 64,000 dwt Ultramax newbuilding drybulk vessels we have agreed to acquire from Yangfan Group Co., Ltd., including the 2014 Term Loan Facility and the \$148 Million Credit Facility, and may use debt financing for a portion of any future acquisitions we may enter into. Our inability to obtain additional financing at all, or at a higher than anticipated cost, may have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

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

Under Section 404 of the Sarbanes-Oxley Act of 2002 (or Sarbanes-Oxley), we are required to include in this and each of our subsequent future annual reports on Form 10-K a report containing our management's assessment of the effectiveness of our internal control over financial reporting and a related attestation of our independent registered public accounting firm. As our manager, Genco provides substantially all of our financial reporting, and we depend on the procedures they have in place. If, in such future annual

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reports on Form 10-K, our management cannot provide a report as to the effectiveness of our internal control over financial reporting or our independent registered public accounting firm is unable to provide us with an unqualified attestation report as to the effectiveness of our internal control over financial reporting as required by Section 404, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock.

*Our costs of operating as a public company are significant, and our management is required to devote substantial time to complying with public company regulations.*

As a public company, we incur significant legal, accounting and other expenses. In addition, Sarbanes-Oxley, as well as rules subsequently implemented by the SEC and the New York Stock Exchange, have imposed various requirements on public companies, including changes in corporate governance practices, and these requirements may continue to evolve. Our Manager, management personnel, and other personnel, if any, will need to devote a substantial amount of time to comply with these requirements. Moreover, these rules and regulations have increased our legal and financial compliance costs and have made some activities more time-consuming and costly.

Sarbanes-Oxley requires, among other things, that we maintain and periodically evaluate our internal control over financial reporting and disclosure controls and procedures. In particular, we will need to perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of Sarbanes-Oxley. While we expect to be able to follow Genco's model and systems for compliance with Section 404, our compliance with Section 404 may require that we incur substantial accounting expense and expend significant management efforts, and we will depend on Genco for our compliance as Genco personnel will perform our accounting function.

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

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

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

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

We are insured against tort claims and some contractual claims (including claims related to environmental damage and pollution) through memberships in protection and indemnity associations or clubs, or P&I Associations. As a result of such membership, the P&I Associations will

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

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

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

We are indemnified for legal liabilities incurred while operating our vessels through membership in P&I Associations. P&I Associations are mutual insurance associations whose members must contribute to cover losses sustained by other association members. The objective of a P&I Association is to provide mutual insurance based on the aggregate tonnage of a member's vessels entered into the association. Claims are paid through the aggregate premiums of all members of the association, although members remain subject to calls for additional funds if the aggregate premiums are insufficient to cover claims submitted to the association. Claims submitted to the association may include those incurred by members of the association, as well as claims submitted to the association from other P&I Associations with which our P&I Association has entered into interassociation agreements. We cannot assure you that the P&I Associations to which we belong will remain viable or that we will not become subject to additional funding calls which could adversely affect us.

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

We do not currently qualify for an exemption pursuant to Section 883 of the U.S. Internal Revenue Code of 1986, as amended (the Code), which we refer to as Section 883. As a result, we are subject to U.S. federal income tax on our shipping income that is derived from U.S. sources as described below. To the extent we are subject to such tax, our net income and cash flows will be reduced by the amount of such tax.

We would qualify for exemption under Section 883 if, among other things, one or more classes of our stock representing, in the aggregate, more than 50% of the combined voting power and value of all classes of our stock were treated as primarily and regularly traded on an established securities market in the United States. Under applicable Treasury regulations, we may not satisfy this publicly-traded requirement in any taxable year in which 50% or more of any class(es) of stock we rely on to meet this rule is owned for more than half the days in such year by persons who actually or constructively own 5% or more of such class(es) of our stock, which we sometimes refer to as 5% shareholders.

As of the date of this report, our common stock represents more than 50% of the value of all classes of our stock, but less than 50% of the combined voting power of all classes of our stock. Unless the holders of the Class B stock irrevocably elect to limit their aggregate voting power to 49%, our Class B stock will represent more than 50% of the combined voting power of all classes of our voting stock and will not be treated as primarily and regularly traded on an established securities market in the United States. Therefore, we do not currently qualify for exemption under Section 883. As a result, 50% of our gross shipping income attributable to transportation beginning or ending in the United States, if any, will be subject to a 4% tax without allowance for deductions. While we do not currently anticipate that a significant portion of our shipping income will be U.S. source shipping income, there can be no assurance that this will be the case. During the years ended December 31, 2014, 2013 and 2012, we had U.S. operations which resulted in U.S. source shipping income of approximately \$2.8 million, \$1.7 million and \$1.4 million, respectively.

In the event that holders of a majority of the Class B stock irrevocably elect to reduce the voting power of the Class B stock to constitute not more than 49% of the total voting power of all classes of stock, our common stock will represent more than 50% of the combined voting power and value of all classes of our stock. However, there can be no assurance as to if and when holders of Class B stock may do so, and we have no right to require these holders to do so. Even if that were to occur, if 5% shareholders of the common stock were to own more than 50% of our common stock for more than half the days of any taxable year, we may nonetheless not be eligible to claim exemption from tax under Section 883 for such taxable year.

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

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

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

A foreign corporation generally will be treated as a passive foreign investment company, which we sometimes refer to as a PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of passive income or (2) at least 50% of its assets (averaged over the year and generally determined based upon value) produce or are held for

the production of passive income. U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to distributions they receive from the PFIC and gain, if any, they derive from the sale or other disposition of their stock in the PFIC.

For purposes of these tests, passive income generally includes dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business, as defined in applicable Treasury regulations. For purposes of these tests, income derived from the performance of services does not constitute passive income. By contrast, rental income would generally constitute passive income unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business. Based on our planned operations and certain estimates of our gross income and gross assets, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we treat the gross income we derive or are deemed to derive from our spot chartering activities as services income, rather than rental income. Accordingly, we believe that (1) our income from our spot chartering activities does not constitute passive income and (2) the assets that we own and operate in connection with the production of that income do not constitute passive assets.

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

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

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

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

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

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

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*The concentration of our capital stock ownership with Genco and its affiliates and the superior voting rights of our Class B stock held by Genco will limit our common stockholders' ability to influence corporate matters.*

Under our amended and restated articles of incorporation, our Class B stock has 15 votes per share, and our common stock has one vote per share resulting in Genco controlling in excess of 50% of the combined voting power of these two classes of stock. However, if holders of a majority of the Class B stock make an irrevocable election to do so, the aggregate voting power of the Class B stock will be limited to a maximum of 49% of the voting power of our outstanding common stock and Class B stock, voting together as a single class. As of December 31, 2014 and 2013, Genco owns shares of our Class B stock representing 64.60% and 65.08%, respectively, of the voting power of our outstanding capital stock through its wholly-owned subsidiary, Genco Investments LLC. In addition, pursuant to the subscription agreement between us and Genco Investments LLC, for so long as Genco Investments LLC or its affiliates holds at least 10% of the aggregate number of outstanding shares of our common stock and Class B stock, Genco Investments LLC is entitled to receive an additional number of shares of Class B stock equal to 2% of the number of shares of common stock issued after our IPO was consummated in March 2010, excluding any shares of common stock issuable upon the exercise of the underwriters' over-allotment option in our IPO or issued as an award or issuable upon exercise of an award under our 2010 Equity Incentive Plan. These additional shares would be issued for no additional consideration unless insufficient surplus exists to cover the par value of such additional shares, in which case Genco Investments LLC will pay us the par value of such shares. During the year ended December 31, 2013, Genco was issued 128,383, 276,000 and 253,000 as result of the equity offerings



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completed on May 28, 2013, September 25, 2013 and November 18, 2013, respectively, which represent 2% of the number of common stock issued as part of these offerings. In addition, our directors or officers who are affiliated with Genco or other individuals providing services under the Management Agreement who are affiliated with Genco may receive equity awards under our 2010 Equity Incentive Plan.

Through its ownership of our Class B stock, its role as our Manager and the issuance of equity awards to individuals affiliated with Genco, Genco will have substantial control and influence over our management and affairs and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets, for the foreseeable future. In addition, because of this dual-class stock structure, Genco will continue to be able to control all matters submitted to our shareholders for approval even though it owns significantly less than 50% of the aggregate number of outstanding shares of our common stock and Class B stock. This concentrated control limits our common stockholders' ability to influence corporate matters and, as a result, we may take actions that our common stockholders do not view as beneficial. As a result, the market price of our common stock could be adversely affected.

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

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

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

The market price of our common stock could decline due to sales of a large number of shares in the market, including sales of shares by our large shareholders, or the perception that these sales could occur. These sales could also make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate to raise funds through future offerings of common stock. We entered into a registration rights agreement with Genco that entitles Genco to have all the shares of our common stock that it owns registered for sale in the public market under the Securities Act.

*As a key component of our business strategy, we may issue additional shares of common stock or other securities to finance our growth. These issuances, which would generally not be subject to shareholder approval, could dilute your ownership interests and depress the market price of the common stock.*

We may finance potential future expansions of our fleet primarily through equity financing and internally generated cash flow. Therefore, subject to the rules of the New York Stock Exchange, we plan to issue additional shares of common stock, and other equity securities of equal or senior rank, without shareholder approval, in a number of circumstances from time to time.

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The issuance by us of additional shares of common stock or other equity securities of equal or senior rank will have the following effects:

- our existing shareholders' proportionate ownership interest in us will decrease;
- the amount of cash available for dividends payable on our common stock may decrease;
- the relative voting strength of each previously outstanding share may be diminished; and
- the market price of our common stock may decline.

*We may need to raise additional capital in the future, which may not be available on favorable terms or at all or which may dilute our*

*common stock or adversely affect its market price.*

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

*We have agreed to restrict our ability to issue preferred stock or take other actions that may result in a default under one of Genco's credit facilities, which may limit how we conduct our business.*

So that Genco may comply with a provision in one of its existing credit facilities, our amended and restated articles of incorporation and the Omnibus Agreement provide that we will not issue any shares of preferred stock without the prior written consent of Genco. We therefore do not anticipate that we will be able to issue preferred stock for the foreseeable future. As a result, our options for raising additional capital that we may require for future operations or growth, or our ability to enter into mergers, acquisitions, or other strategic transactions our shareholders may consider to be in our best interests, may be limited. The Omnibus Agreement also provides that we will use our commercially reasonable efforts not to take any action that would result in an event of default under one of Genco's existing credit facilities or the terms of any future credit facility that Genco may enter into to the extent such terms impose no greater restrictions on Genco's subsidiaries than this existing credit facility. We may therefore have to take actions or forego opportunities that would otherwise be in our best interests in order to prevent an event of default under one of Genco's credit facilities. For example, this may restrict, among other things, our ability to make acquisitions or investments in other companies, our ability to borrow generally, the terms we may enter into in another credit facility of our own, or our ability to expand our operations into other lines of business.

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

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

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

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

### *Dual Class Stock*

Our dual class stock structure, which consists of common stock and Class B stock, gives Genco and its affiliates control over all matters requiring shareholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets.

*Blank Check Preferred Stock.*

Under the terms of our amended and restated articles of incorporation, our Board of Directors has the authority, without any further vote or action by our shareholders, to authorize our issuance of up to 100,000,000 shares of blank check preferred stock. Our Board of Directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management. However, so that Genco may comply with a provision in one of its existing credit facilities, our amended and restated articles of incorporation and the Omnibus Agreement provide that we will not issue any shares of preferred stock without the prior written consent of Genco. We therefore do not anticipate that we will be able to issue preferred stock for the foreseeable future.

*Classified Board of Directors.*

Our amended and restated articles of incorporation provide for the division of our Board of Directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered, three-year terms beginning upon the expiration of the initial term for each class. Approximately one-third of our Board of Directors is elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of us. It could also delay shareholders who do not agree with the policies of our Board of Directors from removing a majority of our Board of Directors for up to two years.

*Election and Removal of Directors.*

Our amended and restated articles of incorporation prohibit cumulative voting in the election of directors. Our amended and restated by-laws require parties other than the Board of Directors to give advance written notice of nominations for the election of directors. Our amended and restated articles of incorporation also provide that our directors may be removed only for cause and only upon the affirmative vote of 66 $\frac{2}{3}$ % of the outstanding shares of our capital stock entitled to vote for those directors or by a majority of the members of the board of directors then in office. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

*Limited Actions by Shareholders.*

Our amended and restated articles of incorporation and our amended and restated by-laws provide that any action required or permitted to be taken by our shareholders must be effected at an annual or special meeting of shareholders or by the unanimous written consent of our shareholders. Our amended and restated articles of incorporation and our amended and restated by-laws provide that, subject to certain exceptions, our Chairman, President, or Secretary at the direction of the Board of Directors may call special meetings of our shareholders and the business transacted at the special meeting is limited to the purposes stated in the notice.

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

Our amended and restated by-laws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a

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shareholder's notice must be received at our principal executive offices not less than 150 days nor more than 180 days before the date on which we first mailed our proxy materials for the preceding year's annual meeting. Our amended and restated by-laws also specify requirements as to the form and content of a shareholder's notice. These provisions may impede a shareholder's ability to bring matters before an annual meeting of shareholders or make nominations for directors at an annual meeting of shareholders.

In addition, we entered into a shareholder rights plan that makes it more difficult for a third party to acquire us without the support of our Board of Directors.

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

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

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not applicable.

**ITEM 2. PROPERTIES**

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

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

**ITEM 3. LEGAL PROCEEDINGS**

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

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES**

**MARKET INFORMATION, HOLDERS AND DIVIDENDS**

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Our common stock is traded on the New York Stock Exchange ( NYSE ) under the symbol BALT. The following table sets forth for the periods indicated the high and low prices for the common stock as reported by the NYSE:

	HIGH	LOW
<b>FISCAL YEAR ENDED DECEMBER 31, 2014</b>		
1st Quarter	\$ 7.94	\$ 5.10
2nd Quarter	\$ 7.09	\$ 5.56
3rd Quarter	\$ 6.30	\$ 4.12
4th Quarter	\$ 4.30	\$ 2.30

	HIGH	LOW
<b>FISCAL YEAR ENDED DECEMBER 31, 2013</b>		
1st Quarter	\$ 4.38	\$ 2.97
2nd Quarter	\$ 4.10	\$ 3.10
3rd Quarter	\$ 5.71	\$ 3.49
4th Quarter	\$ 6.86	\$ 4.36

As of March 2, 2015, there were approximately 11 holders of record of our common stock.

We have adopted a dividend policy to pay a variable quarterly dividend equal to our Cash Available for Distribution during the previous quarter, subject to any reserves our Board of Directors may from time to time determine are required. These reserves may cover, among other things, drydocking, repairs, claims, liabilities and other obligations, debt amortization, acquisitions of additional assets and working capital. Dividends will be paid equally on a per-share basis between our common stock and our Class B stock. Cash Available for Distribution represents our net income less cash expenditures for capital items related to our fleet, such as drydocking or special surveys, other than vessel acquisitions and related expenses, plus non-cash compensation. For purposes of calculating Cash Available for Distribution, we may disregard non-cash adjustments to our net income (loss), such as those that would result from acquiring a vessel subject to a charter that was above or below market rates.

The following table illustrates the calculation of Cash Available for Distribution (non-cash adjustments we may disregard are not included):

Net Income (loss)



Less Fleet Related Capital Maintenance Expenditures

Plus Non-Cash Compensation

Cash Available for Distribution

The application of our dividend policy would have resulted in a lesser dividend or no dividend for each quarter during 2014, 2013 and 2012; however, based on our cash flow, liquidity and capital resources, our Board of Directors determined to declare a dividend during each of these quarters. Given the current market conditions, we did not declare a dividend for the fourth quarter of 2014. While our Board of Directors may consider declaring future dividends that exceed the amount determined by our policy, we cannot assure you that they will do so, and the recent dividend declarations do not represent a change in our policy.

The following table summarizes the dividends declared based on the results of each fiscal quarter:

	Dividend per share	Declaration date
<b>FISCAL YEAR ENDING DECEMBER 31, 2014</b>		
4th Quarter	\$	
3rd Quarter	\$ 0.01	11/4/2014
2nd Quarter	\$ 0.01	7/29/2014
1st Quarter	\$ 0.01	5/5/2014

	Dividend per share	Declaration date
<b>FISCAL YEAR ENDING DECEMBER 31, 2013</b>		
4th Quarter	\$ 0.03	2/25/2014
3rd Quarter	\$ 0.02	10/31/2013
2nd Quarter	\$ 0.01	7/30/2013
1st Quarter	\$ 0.01	4/30/2013

**ITEM 6. SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA**

	For the Years Ended December 31,				
	2014	2013	2012	2011	2010
<b>Income Statement Data:</b>					
(U.S. dollars in thousands except for share and per share amounts)					
Revenues	\$ 45,520	\$ 35,973	\$ 27,304	\$ 43,492	\$ 32,559
<b>Operating Expenses:</b>					
Voyage expenses	1,396	1,151	1,142	61	167
Voyage expenses to Parent	578	461	346	560	422

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Vessel operating expenses	24,872	17,590	16,730	16,004	8,198
General, administrative and technical management fees	8,389	5,445	4,768	5,585	5,044
Management fees to Parent	3,607	2,671	2,471	2,464	1,229
Depreciation and amortization	21,015	15,564	14,814	14,769	7,359
Other operating income					(206)
Total operating expenses	59,857	42,882	40,271	39,443	22,213
Operating (loss) income	(14,337)	(6,909)	(12,967)	4,049	10,346
Other expense	(5,873)	(4,449)	(4,275)	(4,445)	(1,946)
(Loss) income before income taxes	(20,210)	(11,358)	(17,242)	(396)	8,400
Income tax expense	(57)	(34)	(28)	(34)	(78)
Net (loss) income	\$ (20,267)	\$ (11,392)	\$ (17,270)	\$ (430)	8,322
<i>Net (loss) income per share of common and Class B Stock:</i>					
Net (loss) income per share - basic	\$ (0.36)	\$ (0.36)	\$ (0.78)	\$ (0.02)	\$ 0.46
Net (loss) income per share - diluted	\$ (0.36)	\$ (0.36)	\$ (0.78)	\$ (0.02)	\$ 0.46
Dividends declared and paid per share of common and Class B stock	\$ 0.06	\$ 0.05	\$ 0.24	\$ 0.45	\$ 0.32

**Balance Sheet Data:**

(U.S. dollars in thousands, at end of period)

Cash and cash equivalents	\$ 9,929	\$ 58,193	\$ 3,280	\$ 8,300	\$ 5,797
Total assets	568,218	557,367	364,370	384,955	396,154
Total debt	196,775	167,875	101,250	101,250	101,250
Total shareholders equity	364,882	385,103	260,662	281,603	289,436

**Other Data:**

(U.S. dollars in thousands)

Net cash provided by operating activities	\$ 1,096	\$ 2,603	\$ 433	\$ 15,379	\$ 18,999
Net cash used in investing activities	(72,736)	(147,212)	(5)	(2,570)	(389,801)
Net cash provided by (used in) financing activities	23,376	199,522	(5,448)	(10,306)	376,599
EBITDA (2)	\$ 6,669	\$ 8,638	\$ 1,819	\$ 18,786	\$ 17,678

(2) EBITDA represents net (loss) income plus net interest expense, taxes and depreciation and amortization. EBITDA is included because it is used by management and certain investors as a measure of operating performance. EBITDA is used by analysts in the shipping industry as a common performance measure to compare results across peers. Our management uses EBITDA as a performance measure in our consolidated internal financial statements, and it is presented for review at our board meetings. We believe that EBITDA is useful to investors as the shipping industry is capital intensive which often results in significant depreciation and cost of financing. EBITDA presents investors with a measure in addition to net (loss) income to evaluate our performance prior to these costs. EBITDA is not an item recognized by U.S. GAAP and should not be considered as an alternative to net (loss) income, operating income or any other indicator of a company's operating performance required by U.S. GAAP. EBITDA is not a measure of liquidity or cash flows as shown in our consolidated statement of cash flows. The definition of EBITDA used here may not be comparable to that used by other companies. The following table demonstrates our calculation of EBITDA and provides a reconciliation of EBITDA to net (loss) income for each of the periods presented above:

	For the Years Ended December 31,					
	2014	2013	2012	2011	2010	
Net (loss) income	\$ (20,267)	\$ (11,392)	\$ (17,270)	\$ (430)	\$ 8,322	
Net interest expense	5,864	4,432	4,247	4,413	1,919	
Income tax expense	57	34	28	34	78	
Depreciation	21,015	15,564	14,814	14,769	7,359	
EBITDA (2)	\$ 6,669	\$ 8,638	\$ 1,819	\$ 18,786	\$ 17,678	

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

### General

We are a New York City-based company incorporated in October 2009 in the Marshall Islands to conduct a shipping business focused on the drybulk industry spot market. We were formed by Genco, an international drybulk shipping company that also serves as our Manager. Our fleet currently consists of four Capesize vessels, two Ultramax vessels, four Supramax vessels and five Handysize vessels with an aggregate carrying capacity of approximately 1,221,000 dwt and the average age of our fleet is currently 4.3 years, as compared to the average age for the world fleet of approximately 9 years for the drybulk shipping segments in which we compete. After the expected delivery of two Ultramax vessels that we have agreed to acquire, we will own 17 drybulk vessels, consisting of four Capesize vessels, four Ultramax vessels, four Supramax vessels and five Handysize vessels with a total carrying capacity of approximately 1,349,000 dwt. Our fleet contains six groups of sister ships, which are vessels of virtually identical sizes and specifications. We believe that maintaining a fleet that includes sister ships reduces costs by creating economies of scale in the maintenance, supply and crewing of our vessels.

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On July 2, 2013, we entered into agreements to purchase two Handysize drybulk vessels from subsidiaries of Clipper Group for an aggregate purchase price of \$41 million. The Baltic Hare, a 2009-built Handysize vessel, was delivered on September 5, 2013 and the Baltic Fox, a 2010-built Handysize vessel, was delivered on September 6, 2013. We funded a portion of the purchase price of the vessels using proceeds from our registered follow-on common stock offering completed on May 28, 2013. For the remainder of the purchase price, we drew down \$22 million on our \$22 Million Term Loan Facility. Refer to Note 7 Debt in our consolidated financial statements for further information regarding this credit facility.

On October 31, 2013, we entered into agreements to purchase two Capesize drybulk vessels from affiliates of SK Shipping Co. Ltd. for an aggregate purchase price of \$103 million. The Baltic Lion, a 2012-built Capesize drybulk vessel, was delivered on December 27, 2013, and the Baltic Tiger, a 2011-built Capesize vessel, was delivered on November 26, 2013. We funded a portion of the purchase price of the vessels using proceeds from our registered follow-on common stock offering completed on September 25, 2013. For the remainder of the purchase price, we drew down \$44 million on our \$44 Million Term Loan Facility. Refer to Note 7 Debt in our consolidated financial statements for further information regarding this credit facility.

On November 13, 2013, we entered into agreements to purchase up to four 64,000 dwt Ultramax newbuilding drybulk vessels from Yangfan Group Co., Ltd. for a purchase price of \$28 million per vessel, or up to \$112 million in the aggregate. We agreed to purchase two such vessels, to be renamed the Baltic Hornet and Baltic Wasp, and obtained an option to purchase up to two additional vessels for the same purchase price, which we exercised on January 8, 2014. These vessels are to be renamed the Baltic Mantis and the Baltic Scorpion. The purchases are subject to completion of customary additional documentation and closing conditions. The first of these vessels, the Baltic Hornet, was delivered on October 29, 2014. The Baltic Wasp was delivered on January 2, 2015. The Baltic Scorpion and the Baltic Mantis are expected to be delivered to us during the second and third quarters of 2015, respectively. We intend to use a combination of cash on hand, future cash flow from operations as well as debt or equity financing, including the 2014 Term Loan Facilities and the \$148 Million Credit Facility, to finance the acquisition of these four Ultramax newbuilding drybulk vessels. If we are unable to obtain such debt or equity financing to fund the vessels, we may pursue alternatives, including dispositions of assets.

We seek to leverage the expertise and reputation of Genco to pursue growth opportunities in the drybulk shipping spot market. To pursue these opportunities, we operate a fleet of drybulk ships that transport iron ore, coal, grain, steel products and other drybulk cargoes along worldwide shipping routes. We currently operate all of our vessels are on spot market-related time charters, short-term time charters or in vessel pools. We may also consider operating vessels in the spot market directly based on our view of market conditions. We have financed our fleet primarily with equity capital and have financed the remainder with our 2010 Credit Facility, \$22 Million Term Loan Facility, \$44 Million Term Loan Facility and the 2014 Term Loan Facilities. The \$148 Million Credit Facility refinanced the outstanding indebtedness under the 2010 Credit Facility. Depending on market condition, we aim to grow our fleet through timely and selective acquisitions of vessels. We expect to fund acquisitions of additional vessels using equity and debt financing. We intend to distribute to our shareholders on a quarterly basis all of our net income less cash expenditures for capital items related to our fleet, other than vessel acquisitions and related expenses, plus non-cash compensation, during the previous quarter, subject to any additional reserves our Board of Directors may from time to time determine are required for the prudent conduct of our business, as further described below under Dividend Policy.

Refer to pages 6-8 for a table of all vessels that have been or are expected to be delivered to us.

Our operations are managed, under the supervision of our Board of Directors, by Genco as our Manager. We entered into a long-term management agreement (the Management Agreement) pursuant to which our Manager and its affiliates apply their expertise and experience in the drybulk industry to provide us with commercial, technical, administrative and strategic services. The Management Agreement is for an initial term of approximately 15 years and will automatically renew for additional five-year periods unless terminated in accordance with its terms. We pay our Manager fees for the services it provides us as well as reimburse our Manager for its costs and expenses incurred in providing certain of these services.

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On May 28, 2013, we closed an equity offering of 6,419,217 shares of common stock at an offering price of \$3.60 per share. We received net proceeds of \$21.6 million after deducting underwriters' fees and expenses. Additionally, on September 25, 2013, we closed an equity offering of 13,800,000 shares of common stock at an offering price of \$4.60 per share. We received net proceeds of \$59.5 million after deducting underwriters' fees and expenses. On November 18, 2013, we closed an equity offering of 12,650,000 shares of common stock at an offering price of \$4.60 per share. We received net proceeds of \$55.1 million after deducting underwriters' fees and expenses. Pursuant to the Management Agreement, for so long as Genco directly or indirectly holds at least 10% of the aggregate number of outstanding shares of our common stock and Class B stock, Genco will be entitled to receive at no cost an additional number of shares of Class B stock equal to 2% of the number of common shares issued, other than shares issued under the our 2010 Equity Incentive Plan. As a result of the equity offerings on May 28, 2013, September 25, 2013 and November 18, 2013, Genco was issued 128,383, 276,000 and 253,000 shares, respectively, of Class B stock, which represents 2% of the number of common shares issued.

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

## Factors Affecting Our Results of Operations

We believe that the following table reflects important measures for analyzing trends in our results of operations. The table reflects our ownership days, available days, operating days, fleet utilization, Time Charter Equivalent ( TCE ) rates and daily vessel operating expenses for the years ended December 31, 2014 and 2013.

	For the Years Ended December 31,		Increase	%
	2014	2013	(Decrease)	Change
<b>Fleet Data:</b>				
<i>Ownership days (1)</i>				
Capesize	1,460.0	770.6	689.4	89.5%
Ultramax	63.7		63.7	100.0%
Supramax	1,460.0	1,460.0		
Handysize	1,825.0	1,329.1	495.9	37.3%
Total	4,808.7	3,559.7	1,249.0	35.1%
<i>Available days (2)</i>				
Capesize	1,460.0	765.0	695.0	90.8%
Ultramax	60.7		60.7	100.0%
Supramax	1,376.4	1,442.1	(65.7)	(4.6)%
Handysize	1,789.6	1,327.0	462.6	34.9%
Total	4,686.7	3,534.1	1,152.6	32.6%
<i>Operating days (3)</i>				
Capesize	1,456.2	765.0	691.2	90.4%
Ultramax	60.7		60.7	100.0%
Supramax	1,368.0	1,423.3	(55.3)	(3.9)%
Handysize	1,769.1	1,317.6	451.5	34.3%
Total	4,654.0	3,505.9	1,148.1	32.7%
<i>Fleet utilization (4)</i>				
Capesize	99.7%	100.0%	(0.3)%	(0.3)%
Ultramax	100.0%		100.0%	100.0%
Supramax	99.4%	98.7%	0.7%	0.7%
Handysize	98.9%	99.3%	(0.4)%	(0.4)%
Fleet average	99.3%	99.2%	0.1%	0.1%
(U.S. dollars)	For the Years Ended December 31,		Increase	%
	2014	2013	(Decrease)	Change

**Average Daily Results:***Time Charter Equivalent (5)*

Capesize	\$	13,083	\$	15,123	\$	(2,040)	(13.5)%
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Ultramax	10,356		10,356	100.0%
Supramax	7,268	8,031	(763)	(9.5)%
Handysize	7,718	8,448	(730)	(8.6)%
Fleet average	9,291	9,723	(432)	(4.4)%
<i>Daily vessel operating expenses (6)</i>				
Capesize	\$ 5,335	\$ 5,591	\$ (256)	(4.6)%
Ultramax	5,543		5,543	100.0%
Supramax	5,662	5,053	609	12.1%
Handysize	4,638	4,442	196	4.4%
Fleet average	5,172	4,941	231	4.7%

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

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

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

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

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

	<b>For the Years Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Voyage revenues (in thousands)	\$ 45,520	\$ 35,973
Voyage expenses (in thousands)	1,396	1,151
Voyage expenses to Parent (in thousands)	578	461
	43,546	34,361
Total available days	4,686.7	3,534.1
Total TCE rate	\$ 9,291	\$ 9,723

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

#### Operating Data



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The following compares our operating (loss) income and net loss for the years ended December 31, 2014 and 2013.

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	For the Years Ended December 31,		Increase	% Change
	2014	2013	(Decrease)	
<b>Income Statement Data:</b>				
(U.S. dollars in thousands except for per share amounts)				
Revenues	\$ 45,520	\$ 35,973	\$ 9,547	26.5%
<i>Operating Expenses:</i>				
Voyage expenses	1,396	1,151	245	21.3%
Voyage expenses to Parent	578	461	117	25.4%
Vessel operating expenses	24,872	17,590	7,282	41.4%
General, administrative and technical management fees	8,389	5,445	2,944	54.1%
Management fees to Parent	3,607	2,671	936	35.0%
Depreciation and amortization	21,015	15,564	5,451	35.0%
Total operating expenses	59,857	42,882	16,975	39.6%
Operating loss	(14,337)	(6,909)	(7,428)	107.5%
Other expense	(5,873)	(4,449)	(1,424)	32.0%
Loss before income taxes	(20,210)	(11,358)	(8,852)	77.9%
Income tax expense	(57)	(34)	(23)	67.6%
Net loss	\$ (20,267)	\$ (11,392)	(8,875)	77.9%
<i>Net loss per share of common and Class B Stock:</i>				
Net loss per share - basic	\$ (0.36)	\$ (0.36)		
Net loss per share - diluted	\$ (0.36)	\$ (0.36)		
Dividends declared and paid per share	\$ 0.06	\$ 0.05	\$ 0.01	20.0%
<b>Balance Sheet Data:</b>				
(U.S. dollars in thousands, at end of period)				
Cash and cash equivalents	\$ 9,929	\$ 58,193	(48,264)	(82.9)%
Total assets	568,128	557,367	10,851	1.9%
Total debt	196,775	167,875	28,900	17.2%
Total shareholders equity	364,882	385,103	(20,221)	(5.3)%
<b>Other Data:</b>				
(U.S. dollars in thousands)				
Net cash provided by operating activities	\$ 1,096	\$ 2,603	\$ (1,507)	(57.9)%
Net cash used in investing activities	(72,736)	(147,212)	74,476	(50.6)%
Net cash provided by (used in) financing activities	23,376	199,522	(176,146)	(88.3)%
EBITDA (1)	\$ 6,669	\$ 8,638	\$ (1,969)	(22.8)%

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

**Results of Operations**

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We began earning revenues during the three months ended June 30, 2010, since our first vessel was delivered in the second quarter of 2010. Beginning with the second quarter of 2010, our revenues following the delivery of our first vessel have consisted primarily of charterhire. Our ongoing cash expenses consist of fees and reimbursements under our Management Agreement and other expenses directly related to the operation of our vessels and certain administrative expenses. We do not expect to have any income tax liabilities in the Marshall Islands but may be subject to tax in the United States on revenues derived from voyages that either begin or end in the United States. We have accrued for estimated taxes from these voyages at December 31, 2014 and 2013.

We expect that our financial results will be largely driven by the following factors:

- the number of vessels in our fleet and their charter rates;
- the number of days that our vessels are utilized and not subject to drydocking, special surveys or otherwise off-hire; and
- our ability to control our fixed and variable expenses, including our ship management fees, our operating costs and our general, administrative and other expenses, including insurance. Operating costs may vary from month to month depending on a number of factors, including the timing of purchases of lube oil, crew changes and delivery of spare parts.

**Years ended December 31, 2014 and 2013**

VOYAGE REVENUES-

Voyage revenues are driven primarily by the number of vessels that we have in our fleet, the number of calendar days during which our vessels will generate revenues and the amount of daily charter hire that our vessels earn under charters. These, in turn, are affected by a number of factors, including our decisions relating to vessel acquisitions and disposals, the amount of time that we spend positioning our vessels, the amount of time that our vessels spend in drydock undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels, levels of supply and demand in the drybulk carrier market and other factors affecting spot market charter rates for our vessels. Voyage revenues also include the sale of bunkers consumed during short-term time charters pursuant to the terms of the time charter agreement.

Vessels operating in the spot charter market generate revenues that are less predictable than those operating on time charters but may enable us to capture increased profit margins during periods of improvements in charter rates. Conversely, by operating in the spot charter market, we are exposed to the risk of declining charter rates, which may have a materially adverse impact on our financial performance.

For the years ended December 31, 2014 and 2013, voyage revenues were \$45,520 and \$35,973, respectively. The increase in voyage revenues was primarily due to the increase in the size of our fleet partially offset by lower spot market rates achieved by the other vessels in our fleet during 2014 as compared to 2013.

The average TCE rate of our fleet was \$9,291 a day for the year ended December 31, 2014 as compared to \$9,723 for the year ended December 31, 2013. The decrease was primarily due to lower spot market rates achieved by the vessels in our fleet during 2014 as compared to 2013.

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

The BDI displayed weakness through the entire year in 2014 following a volatile environment in 2013. The BDI saw relative strength at the end of 2013, which carried into the very beginning of 2014 resulting in a peak of 2,113 on January 2, 2014. Deliveries of newbuilding vessels increased in January 2014, contributing to an already oversupplied market. Additionally, a ban of coal shipments out of Drummond's Colombian coal mines and short-term weather-related issues in Brazil and Australia temporarily reduced iron ore output. As a result, a decline of rates was experienced through the first half of the year resulting in the BDI closing at 850 as of June 30, 2014. As fleet growth moderated and iron ore exports increased, the BDI traded up beginning in August of 2014 and recorded a high of 1,484 on November 4, 2014. During the fourth quarter of 2014, excess vessel supply continued to weigh on the drybulk market. Additionally, a period of destocking at Chinese iron ore ports and coal power plants and a sustained Indonesian mineral ore export ban all contributed to a declining freight rate environment. Fluctuations in Brazilian iron ore fixture volume led to additional volatility within the Capesize sector, particularly in the latter two months of the fourth quarter. In the year to date in 2015, we have seen continued pressure on the drybulk market as a result of a seasonal increase in newbuilding vessel deliveries and weak iron ore and coal trades ahead of the Chinese New Year. Given the fact that a majority of our vessels are chartered at spot market-related rates, we expect that the weak rate environment will adversely impact our first quarter 2015 revenues and results of operations.

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During 2014 and 2013, we had 4,808.7 and 3,559.7 ownership days, respectively. The increase in ownership days is due to the delivery of the Baltic Fox, Baltic Hare, Baltic Lion and Baltic Tiger during the third and fourth quarters of 2013 and the delivery of the Baltic Hornet during the fourth quarter of 2014. Fleet utilization remained stable at 99.3% and 99.2% during 2014 and 2013, respectively.

### VOYAGE EXPENSES-

To the extent we operate our vessels on voyage charters in the spot market, we are responsible for all voyage expenses. Voyage expenses are all expenses unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. We expect that our voyage expenses will vary depending on the number of vessels in our fleet and the extent to which we enter into voyage charters in the spot market as opposed to spot market-related time charters, trip charters or vessel pools, in which we would not be responsible for voyage expenses. At the inception of a spot market-related time charter, we record the difference between the cost of bunker fuel delivered by the terminating charterer and the bunker fuel sold to the new charterer as a gain or loss within voyage expenses. Additionally, voyage expenses include the cost of bunkers consumed during short-term time charters pursuant to the terms of the time charter agreement.

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For the years ended December 31, 2014 and 2013, voyage expenses were \$1,396 and \$1,151, respectively. The \$245 increase in voyage expense is primarily due to an increase in bunker consumption as a result of drydockings during 2014 as well as additional bunker consumption during repositioning during 2014 as compared to 2013.

### VOYAGE EXPENSES TO PARENT-

Voyage expenses to Parent increased by \$117 to \$578 during 2014 as compared to \$461 during 2013. This amount represents the commercial service fee equal to 1.25% of gross charter revenues generated by each vessel due to Genco pursuant to the Management Agreement. The increase is primarily a result of the increase in voyage revenue due to the increase in the size of our fleet during 2014 as compared to 2013 partially offset by lower spot market rates achieved by our other vessels in our fleet.

### VESSEL OPERATING EXPENSES-

Vessel operating expenses increased by \$7,282 to \$24,872 during 2014 as compared to \$17,590 in 2013 primarily due to a larger fleet as a result of the delivery of four vessels during 2013 and one vessel during the fourth quarter of 2014, as well as higher maintenance related expenses incurred during drydocking.

Daily vessel operating expenses increased to \$5,172 per vessel per day during the year ended December 31, 2014 from \$4,941 per vessel per day during the year ended December 31, 2013. The increase in daily vessel operating expenses is primarily due to higher maintenance related expenses incurred during drydocking. We believe daily vessel operating expenses are best measured for comparative purposes over a 12-month period in order to take into account all of the expenses that each vessel in our fleet will incur over a full year of operation. Our actual daily vessel operating expenses per vessel for the year ended December 31, 2014 were \$228 below the budgeted rate for the year ended December 31, 2014 of \$5,400 per vessel per day.

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

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

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

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

GENERAL, ADMINISTRATIVE AND TECHNICAL MANAGEMENT FEES-

We incur general and administrative expenses, which relate to our onshore non-vessel-related activities. Our general and administrative expenses include non-cash compensation expense, legal, auditing and other professional expenses. With respect to the restricted shares issued as incentive compensation to our Chairman, our President and Chief Financial Officer and our directors under our 2010 Equity Incentive Plan, refer to Note 14 Nonvested Stock Awards in our consolidated financial statements. Additionally, we incur management fees to third-party technical management companies (excluding Genco) for the day-to-day management of our vessels, including performing routine maintenance, attending to vessel operations and arranging for crews and supplies.

For 2014 and 2013, general, administrative and technical management fees were \$8,389 and \$5,445, respectively. The increase in general, administrative and technical management fees was primarily a result of an increase in non-cash compensation expense. Technical management fees increased due to the delivery of four vessels during the third and fourth quarters of 2013 and one vessel during the fourth quarter of 2014.

MANAGEMENT FEES TO PARENT-

Management fees to Parent increased to \$3,607 from \$2,671 during 2014 as compared to 2013, respectively. This amount represents the technical service fees of \$750 per vessel per day payable to Genco pursuant to the Management Agreement. The increase was due to the delivery of four vessels during the third and fourth quarters of 2013 and one vessel during the fourth quarter of 2014.

DEPRECIATION-

We depreciate the cost of our vessels on a straight-line basis over the expected useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated residual value. We estimate the useful life of our vessels to be 25 years. Effective July 9, 2014, upon Genco's emergence from bankruptcy, we increase the estimated scrap value of our vessels from \$245/lwt to \$310/lwt prospectively which will result in an overall decrease in vessels depreciation expense over the remaining life of the vessels.

Depreciation expense increased to \$21,015 during 2014 from \$15,564 during 2013 due to the delivery of four vessels during the third and fourth quarter of 2013 and one vessel during the fourth quarter of 2014, as well as an increase in drydock amortization expense as six vessels completed drydockings during the first half of 2014. There were no vessels that completed drydocking during 2013.

OTHER (EXPENSE) INCOME-

NET INTEREST EXPENSE-

For 2014 and 2013, net interest expense was \$5,864 and \$4,432, respectively. The increase in net interest expense is primarily due to the interest expense, commitment fees, and the amortization of deferred financing fees associated with the \$22 Million Term Loan Facility, the \$44 Million Term Loan Facility and the 2014 Term Loan Facilities, which were entered into effective August 30, 2013, December 3, 2013 and October 8, 2014, respectively. These increases were partially offset by a decrease in interest expense related to the 2010 Credit Facility due to capitalized interest expense that was reclassified from Interest expense to Deposits on vessels for the four Ultramax vessels that we have agreed to acquire, one of which was delivered on October 29, 2014. Refer to Note 7 Debt and Note 4 Vessel Acquisitions in our consolidated financial statements for further information.

INCOME TAX EXPENSE-

For 2014 and 2013, income tax expense was \$57 and \$34, respectively. During the year ended December 31, 2014, we had United States operations which resulted in United States source income of \$2,830, which resulted in income tax expense of \$57. During the year ended December 31, 2013, we had United States operations which resulted in United States source income of \$1,664, which resulted in income tax expense of \$34.



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

**Factors Affecting Our Results of Operations**

We believe that the following table reflects important measures for analyzing trends in our results of operations. The table reflects our ownership days, available days, operating days, fleet utilization, Time Charter Equivalent ( TCE ) rates and daily vessel operating expenses for the years ended December 31, 2013 and 2012.

	For the Years Ended December 31, 2013	2012	Increase (Decrease)	% Change
<b>Fleet Data:</b>				
<i>Ownership days (1)</i>				
Capesize	770.6	732.0	38.6	5.3%
Supramax	1,460.0	1,464.0	(4.0)	(0.3)%
Handysize	1,329.1	1,098.0	231.1	21.0%
<b>Total</b>	<b>3,559.7</b>	<b>3,294.0</b>	<b>265.7</b>	<b>8.1%</b>
<i>Available days (2)</i>				
Capesize	765.0	732.0	33.0	4.5%
Supramax	1,442.1	1,453.3	(11.2)	(0.8)%
Handysize	1,327.0	1,098.0	229.0	20.9%
<b>Total</b>	<b>3,534.1</b>	<b>3,283.3</b>	<b>250.8</b>	<b>7.6%</b>
<i>Operating days (3)</i>				
Capesize	765.0	729.9	35.1	4.8%
Supramax	1,423.3	1,434.0	(10.7)	(0.7)%
Handysize	1,317.6	1,096.4	221.2	20.2%
<b>Total</b>	<b>3,505.9</b>	<b>3,260.3</b>	<b>245.6</b>	<b>7.5%</b>
<i>Fleet utilization (4)</i>				
Capesize	100.0%	99.7%	0.3%	0.3%
Supramax	98.7%	98.7%		
Handysize	99.3%	99.9%	(0.6)%	(0.6)%
<b>Fleet average</b>	<b>99.2%</b>	<b>99.3%</b>	<b>(0.1)%</b>	<b>(0.1)%</b>

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(U.S. dollars)	For the Years Ended December 31,		Increase	%
	2013	2012	(Decrease)	Change
<b>Average Daily Results:</b>				
<i>Time Charter Equivalent (5)</i>				
Capesize	\$ 15,123	\$ 7,276	\$ 7,847	107.8%
Supramax	8,031	7,836	195	2.5%
Handysize	8,448	8,290	158	1.9%
Fleet average	9,723	7,863	1,860	23.7%
<i>Daily vessel operating expenses (6)</i>				
Capesize	\$ 5,591	\$ 5,302	\$ 289	5.5%
Supramax	5,053	5,280	(227)	(4.3)%
Handysize	4,442	4,663	(221)	(4.7)%
Fleet average	4,941	5,079	(138)	(2.7)%

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

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

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

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

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

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For the Years Ended December 31,  
2013 2012

Voyage revenues (in thousands)	\$	35,973	\$	27,304
Voyage expenses (in thousands)		1,151		1,142
Voyage expenses to Parent (in thousands)		461		346
		34,361		25,816
Total available days		3,534.1		3,283.3
Total TCE rate	\$	9,723	\$	7,863

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

**Operating Data**

The following compares our operating (loss) income and net loss for the years ended December 31, 2013 and 2012.

	For the Years Ended December 31,		Increase		
	2013	2012	(Decrease)		% Change
<b>Income Statement Data:</b>					
(U.S. dollars in thousands except for per share amounts)					
Revenues	\$	35,973	\$	27,304	\$ 8,669 31.7%
<i>Operating Expenses:</i>					
Voyage expenses		1,151		1,142	9 0.8%
Voyage expenses to Parent		461		346	115 33.2%
Vessel operating expenses		17,590		16,730	860 5.1%
General, administrative and technical management fees		5,445		4,768	677 14.2%
Management fees to Parent		2,671		2,471	200 8.1%
Depreciation and amortization		15,564		14,814	750 5.1%
Total operating expenses		42,882		40,271	2,611 6.5%
Operating loss		(6,909)		(12,967)	6,058 (46.7)%
Other expense		(4,449)		(4,275)	(174) 4.1%
Loss before income taxes		(11,358)		(17,242)	5,884 (34.1)%
Income tax expense		(34)		(28)	(6) 21.4%
Net loss	\$	(11,392)	\$	(17,270)	5,878 (34.0)%
<i>Net loss per share of common and Class B Stock:</i>					
Net loss per share - basic	\$	(0.36)	\$	(0.78)	\$ 0.42 (53.8)%
Net loss per share - diluted	\$	(0.36)	\$	(0.78)	\$ 0.42 (53.8)%
Dividends declared and paid per share	\$	0.05	\$	0.24	\$ (0.19) (79.2)%
<b>Balance Sheet Data:</b>					
(U.S. dollars in thousands, at end of period)					
Cash and cash equivalents	\$	58,193	\$	3,280	54,913 1,674.2%

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Total assets	557,367	364,370	192,997	53.0%
Total debt	167,875	101,250	66,625	65.8%
Total shareholders' equity	385,103	260,662	124,441	47.7%

**Other Data:**

(U.S. dollars in thousands)

Net cash provided by operating activities	\$ 2,603	\$ 433	\$ 2,170	501.2%
Net cash used in investing activities	(147,212)	(5)	(147,207)	2,944,140.0%
Net cash provided by (used in) financing activities	199,522	(5,448)	204,970	(3,762.3)%
EBITDA (1)	\$ 8,638	\$ 1,819	\$ 6,819	374.9%

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

**Years ended December 31, 2013 and 2012**

**VOYAGE REVENUES-**

For the years ended December 31, 2013 and 2012, voyage revenues were \$35,973 and \$27,304, respectively. The increase in voyage revenues was primarily due to higher spot market rates achieved by the majority of our vessels as well as the increase in the size of our fleet during the year ended December 31, 2013.

The average TCE rate of our fleet was \$9,723 a day for the year ended December 31, 2013 as compared to \$7,863 for the year ended December 31, 2012. The increase was due to higher spot market rates achieved by the Capesize vessels in our fleet during 2013 as compared to 2012.

During 2013, the Baltic Dry Index, or BDI (a drybulk index) recorded a low of 698 on January 1, 2013 and rebounded to yearly high of 2,337 on December 12, 2013. At December 24, 2013, the index was 2,277.

The BDI displayed considerable weakness in the beginning of 2012 due to reduced iron ore cargoes recorded through the celebration of the Chinese New Year, as well as a high level of newbuilding vessel deliveries for the first two months of the year. A combination of factors, including excess vessel supply, weather disruptions in Brazil and Australia and strikes in Columbian coal mines resulted in the BDI remaining at relatively low levels through the first half of the year. As fleet growth moderated and Chinese steel production increased, the BDI traded up through the second half of 2013 and recorded its peak value of 2,337 on December 12, 2013.

During 2013 and 2012, we had 3,559.7 and 3,294.0 ownership days, respectively. The increase in ownership days is due to the delivery of the Baltic Fox, Baltic Hare, Baltic Lion and Baltic Tiger during the third and fourth quarters of 2013 partially offset by a decrease in ownership days to an additional day during 2012 due to the leap year. Fleet utilization remained stable at 99.2% and 99.3% during 2013 and 2012, respectively.

**VOYAGE EXPENSES-**

For 2013 and 2012, voyage expenses remained stable at \$1,151 and \$1,142, respectively.

**VOYAGE EXPENSES TO PARENT-**

Voyage expenses to Parent increased by \$115 during 2013 as compared to 2012. This amount represents the commercial service fee equal to 1.25% of gross charter revenues generated by each vessel due to Genco pursuant to the Management Agreement. The increase is primarily a result of the increase in voyage revenue due to higher spot market rates achieved by our Capesize vessels during 2013 as compared to 2012.

VESSEL OPERATING EXPENSES-

Vessel operating expenses increased by \$860 to \$17,590 during 2013 as compared to \$16,730 in 2012 primarily due to a larger fleet as a result of the delivery of four vessels during 2013 partially offset by a decrease in the purchase of stores and lower insurance and repair and maintenance related expenses.

Daily vessel operating expenses decreased to \$4,941 per vessel per day during the year ended December 31, 2013 from \$5,079 per vessel per day during the year ended December 31, 2012. The decrease in daily vessel operating expenses is primarily due to lower insurance and repair and maintenance related expenses, as well as the timing of purchase of stores and spare parts. We believe daily vessel operating expenses are best measured for comparative purposes over a 12-month period in order to take into account all of the expenses that each vessel in our fleet will incur over a full year of operation. Our actual daily vessel operating expenses per vessel for the year ended December 31, 2013 were \$459 below the budgeted rate for the year ended December 31, 2013

of \$5,400 per vessel per day.

GENERAL, ADMINISTRATIVE AND TECHNICAL MANAGEMENT FEES-

For 2013 and 2012, general, administrative and technical management fees were \$5,445 and \$4,768, respectively. The increase in general, administrative and technical management fees was primarily a result of higher legal expenses and compensation. Technical management fees marginally increased due to the delivery of four vessels during the third and fourth quarters of 2013.

MANAGEMENT FEES TO PARENT-

Management fees to Parent increased to \$2,671 from \$2,471 during 2013 as compared to 2012, respectively. This amount represents the technical service fees of \$750 per vessel per day payable to Genco pursuant to the Management Agreement. The increase was due to the delivery of four vessels during the third and fourth quarters of 2013.

DEPRECIATION-

Depreciation expense increased to \$15,564 during 2013 from \$14,814 during 2012 due to the delivery of four vessels during the third and fourth quarter of 2013.

OTHER (EXPENSE) INCOME-

NET INTEREST EXPENSE-

For 2013 and 2012, net interest expense was \$4,432 and \$4,247, respectively. The increase in net interest expense is primarily due to the interest expense, commitment fees, and the amortization of deferred financing fees associated with the \$22 Million Term Loan Facility and the \$44 Million Term Loan Facility, which were entered into effective August 30, 2013 and December 3, 2013, respectively. These increases were partially offset by a decrease in the unused commitment fees for the 2010 Credit Facility as the total facility amount was reduced to \$110,000 from \$150,000 beginning August 29, 2013 pursuant to an amendment. Refer to Note 7 Debt in our consolidated financial statements for further information.

INCOME TAX EXPENSE-

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For 2013 and 2012, income tax expense was \$34 and \$28, respectively. During the year ended December 31, 2013, we had United States operations which resulted in United States source income of \$1,664, which resulted in income tax expense of \$34. During the year ended December 31, 2012, we had United States operations which resulted in United States source income of \$1,379, which resulted in income tax expense of \$28.

### LIQUIDITY AND CAPITAL RESOURCES

Our primary initial sources of capital were the capital contribution made by Genco, through Genco Investments LLC, of \$75 million for 5,699,088 shares of our Class B stock and the net proceeds from the IPO, which was approximately \$210.4 million as described hereunder. We have also made borrowings to date under our 2010 Credit Facility (which was refinanced with the \$148 Million Credit Facility, see below), \$22 Million Term Loan Facility, \$44 Million Term Loan Facility and the 2014 Term Loan Facilities. We may consider debt and equity financing alternatives from time to time. However, if market conditions are negative, we may be unable to raise additional equity capital or debt financing on acceptable terms or at all. As a result, we may be unable to pursue acquisition opportunities to expand our business.

Given the negative impact of the current weak drybulk rate environment on our earnings, we face potential liquidity and covenant compliance issues. Our credit facilities require us to maintain a minimum cash balance of \$11.3 million as measured at each quarter-end. In light of our requirements to fund our ongoing operations and acquisitions and make payments under our credit facilities, our current cash reserves, and current drybulk shipping rates, we believe that without taking remedial measures that are available to us, it is probable that we will not remain in compliance with our minimum cash covenants under our credit facilities within the next six months. To address our compliance, we may seek waivers or modifications to our credit agreements from our lenders, which may be unavailable or subject to conditions, or we may pursue one or more financing options described below.

Given the foregoing, we may require capital to fund ongoing operations, acquisitions (including the two Ultramax newbuildings we have agreed to acquire), and debt service. We may also seek to refinance our indebtedness or raise additional capital through equity or debt offerings or selling assets (including vessels), reduce or delay capital expenditures, or pursue other options available to us. We cannot be certain that we will accomplish any such actions.



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Absent any of the foregoing obligations, if we do not comply with our credit facility covenants and fail to cure our non-compliance following applicable notice and expiration of applicable cure periods, we will be in default of one or more of our credit facilities. As a result, some or all of our indebtedness could be declared immediately due and payable, and we may not have sufficient assets available to satisfy our obligations. Substantially all of our assets are pledged as collateral to our lenders, and our lenders may seek to foreclose on their collateral if a default occurs. We may have to seek alternative sources of financing on terms that may not be favorable to us or that may not be available at all. We therefore could experience a material adverse effect on our business, financial condition, results of operations and cash flows.

On April 16, 2010, we entered into a \$100,000 senior secured revolving credit facility with Nordea Bank Finland plc, acting through its New York branch (the 2010 Credit Facility), which was subsequently amended effective November 30, 2010 which increased the borrowing capacity from \$100,000 to \$150,000. An additional amendment entered into effective August 29, 2013 which reduced the borrowing capacity to \$110,000 and allowed us to incur additional indebtedness under new credit facilities. On January 7, 2015, we refinanced the 2010 Credit Facility using the \$148 Million Credit Facility described below.

As of December 31, 2014, we believe we are in compliance with all of the financial covenants under the 2010 Credit Facility.

On December 31, 2014, we entered into the \$148 Million Credit Facility. The \$148 Million Credit Facility is comprised of \$115,000 revolving credit facility and \$33,000 term loan facility. Borrowings under the revolving credit facility will be used to refinance our outstanding indebtedness under the 2010 Baltic Trading Credit Facility. On January 7, 2015, we drew down \$104,500 on the revolving credit facility of the \$148 Million Credit Facility, \$102,250 which was used to pay down the indebtedness outstanding under the 2010 Credit Facility. Amounts borrowed under the revolving credit facility of the \$148 Million Credit Facility may be re-borrowed. Borrowings under the term loan facility of the \$148 Million Credit Facility may be incurred pursuant to two single term loans in an amount of \$16,500 each that will be used to finance, in part, the purchase of two newbuilding Ultramax vessels that we have agreed to acquire, namely the Baltic Scorpion and Baltic Mantis. Amounts borrowed under the term loan facility of the \$148 Million Credit Facility may not be re-borrowed.

The \$148 Million Credit Facility has a maturity date of December 31, 2019. Borrowings under this facility bear interest at LIBOR plus an applicable margin of 3.00% per annum. A commitment fee of 1.2% per annum is payable on the unused daily portion of the \$148 Million Credit Facility, which began accruing on December 31, 2014. The commitment under the revolving credit facility of the \$148 Million Credit Facility is subject to equal consecutive quarterly reductions of \$2,447 each beginning June 30, 2015 through September 30, 2019. Borrowings under the term loan facility of the \$148 Million Credit Facility are subject to equal consecutive quarterly installment repayments commencing three months after delivery of the relevant newbuilding Ultramax vessel, each in the amount of 1/60th of the aggregate outstanding term loan. All remaining amounts outstanding under the \$148 Million Term Loan Facility must be repaid in full on the maturity date, December 31, 2019. Refer to Note 7 Debt in our consolidated financial statements for additional information regarding the \$148 Million Credit Facility.

On July 2, 2013, we entered into agreements to purchase two Handysize drybulk vessels from subsidiaries of Clipper Group for an aggregate purchase price of \$41,000. The Baltic Hare, a 2009-built Handysize vessel, was delivered on September 5, 2013 and the Baltic Fox, a 2010-built Handysize vessel, was delivered on September 6, 2013. We funded a portion of the purchase price of the vessels using proceeds from our registered follow-on common stock offering completed on May 28, 2013. For the remainder of the purchase price, we drew down \$22,000 on our \$22,000 secured loan agreement with DVB Bank SE on September 4, 2013 as described below.

On August 30, 2013, Baltic Hare Limited and Baltic Fox Limited, our wholly-owned subsidiaries, entered into a secured loan agreement with DVB Bank SE for a term loan facility of up to \$22,000 (the \$22 Million Term Loan Facility). Amounts borrowed and repaid under the \$22 Million Term Loan Facility may not be reborrowed. This facility has a maturity date of the sixth anniversary of the drawdown date for borrowings for the second vessel to be purchased, or September 4, 2019. Borrowings under the \$22 Million Term Loan Facility bear interest at the three-month LIBOR rate plus an applicable margin of 3.35% per annum. A commitment fee of 1.00% is payable on the unused daily portion

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of the credit facility, which began accruing on August 30, 2013 and ended on September 4, 2013, the date which the entire \$22,000 was borrowed. Borrowings are to be repaid in 23 quarterly installments of \$375 each commencing three months after the last drawdown date, or December 4, 2013, and a final payment of \$13,375 due on the maturity date.

Borrowings under the \$22 Million Term Loan Facility are to be secured by liens on our vessels to be purchased with borrowings under the facility, namely the Baltic Fox and the Baltic Hare, and other related assets. Under a Guarantee and Indemnity entered into concurrently with the \$22 Million Term Loan Facility, we have agreed to guarantee the obligations of our subsidiaries under the \$22 Million Term Loan Facility.

The \$22 Million Term Loan Facility also requires us and Baltic Hare Limited and Baltic Fox Limited to comply with a number of covenants, including financial covenants related to liquidity, leverage, consolidated net worth, and collateral maintenance;

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delivery of quarterly and annual financial statements and annual projections; maintaining adequate insurances; compliance with laws (including environmental); maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; limitations on changes in the manager of our vessels; limitations on changes to the Management Agreement; limitations on liens and additional indebtedness; prohibitions on paying dividends if an event of default has occurred or would occur as a result of payment of a dividend; restrictions on transactions with affiliates; and other customary covenants. The liquidity covenants under the facility require Baltic Hare Limited and Baltic Fox Limited to maintain \$500 each in their cash accounts and us to maintain \$750 for each vessel in our fleet in cash or cash equivalents plus undrawn working capital lines of credit. The facility's leverage covenant requires that the ratio of our total financial indebtedness to the value of our total assets as adjusted based on vessel appraisals not exceed 70%. The facility also requires that we maintain a minimum consolidated net worth of \$232,796 plus fifty percent of the value of our equity offering completed on or after May 28, 2013. The facility's collateral maintenance covenant requires that the minimum fair market value of vessels mortgaged under the facility be 130% of the amount outstanding under the facility through August 30, 2016 and 135% of such amount thereafter.

On September 4, 2013, Baltic Hare Limited and Baltic Fox Limited made drawdowns of \$10,730 and \$11,270 for the Baltic Hare and Baltic Fox, respectively. As of December 31, 2014, we have utilized our maximum borrowing capacity of \$22,000, and there is no availability under this facility.

As of December 31, 2014, we believe we are in compliance with all of the financial covenants under the \$22 Million Term Loan Facility.

On October 31, 2013, we entered into agreements to purchase two Capesize drybulk vessels from affiliates of SK Shipping Co. Ltd. for an aggregate purchase price of \$103,000. The Baltic Lion, a 2012-built Capesize drybulk vessel, was delivered on December 27, 2013, and the Baltic Tiger, a 2011-built Capesize vessel, was delivered on November 26, 2013. We funded a portion of the purchase price of the vessels using proceeds from our registered follow-on common stock offering completed on September 25, 2013. For the remainder of the purchase price, we drew down \$44,000 on our \$44,000 secured loan agreement with DVB Bank SE on December 23, 2013 as described below.

On December 3, 2013, Baltic Lion Limited and Baltic Tiger Limited, our wholly-owned subsidiaries, entered into a secured loan agreement with DVB Bank SE for a term loan facility of up to \$44,000 (the "\$44 Million Term Loan Facility"). Amounts borrowed and repaid under the \$44 Million Term Loan Facility may not be reborrowed. This facility has a maturity date of the sixth anniversary of the drawdown date for borrowings for the second vessel to be purchased, or December 23, 2019. Borrowings under the \$44 Million Term Loan Facility bear interest at the three-month LIBOR rate plus an applicable margin of 3.35% per annum. A commitment fee of 1.00% is payable on the unused daily portion of the credit facility, which began accruing on December 3, 2013 and ended on December 23, 2013, the date which the entire \$44,000 was borrowed. Borrowings are to be repaid in 23 quarterly installments of \$688 each commencing three months after the last drawdown date, or March 24, 2014, and a final payment of \$28,188 due on the maturity date.

Borrowings under the \$44 Million Term Loan Facility are to be secured by liens on the our vessels to be financed or refinanced with borrowings under the facility, namely the Baltic Tiger and the Baltic Lion, and other related assets. Upon the prepayment of \$18,000 plus any additional amounts necessary to maintain compliance with the collateral maintenance covenant, we may have the lien on the Baltic Tiger released. Under a Guarantee and Indemnity entered into concurrently with the \$44 Million Term Loan Facility, we agreed to guarantee the obligations of our subsidiaries under the \$44 Million Term Loan Facility.

The \$44 Million Term Loan Facility also requires the Company, Baltic Tiger Limited and Baltic Lion Limited to comply with a number of covenants, including financial covenants related to liquidity, leverage, consolidated net worth, and collateral maintenance; delivery of quarterly and annual financial statements and annual projections; maintaining adequate insurances; compliance with laws (including environmental); maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; limitations on changes in the manager of the Company's vessels; limitations on changes to the Management Agreement; limitations on liens and additional indebtedness;

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prohibitions on paying dividends if an event of default has occurred or would occur as a result of payment of a dividend; restrictions on transactions with affiliates; and other customary covenants. The liquidity covenants under the facility require Baltic Tiger Limited and Baltic Lion Limited to maintain \$1,000 each in their cash accounts and us to maintain \$750 for each vessel in our fleet in cash or cash equivalents plus undrawn working capital lines of credit. The facility's leverage covenant requires that the ratio of our total financial indebtedness to the value of our total assets as adjusted based on vessel appraisals not exceed 70%. The facility also requires that we maintain a minimum consolidated net worth of \$232,796 plus fifty percent of the value of any primary equity offerings completed after April 30, 2013. The facility's collateral maintenance covenant requires that the minimum fair market value of vessels mortgaged under the facility be 125% of the amount outstanding under the facility.

On December 23, 2013, Baltic Tiger Limited and Baltic Lion Limited made drawdowns of \$21,400 and \$22,600 for the Baltic Tiger and Baltic Lion, respectively. As of December 31, 2014, we have utilized our maximum borrowing capacity of \$44,000

and there was no further availability.

As of December 31, 2014, we believe we are in compliance with all of the financial covenants under the \$44 Million Term Loan Facility.

On October 8, 2014, we and our wholly-owned subsidiaries, Baltic Hornet Limited and Baltic Wasp Limited, each entered into the 2014 Term Loan Facilities to partially finance the newbuilding Ultramax vessel that each subsidiary is to acquire, namely the Baltic Hornet and Baltic Wasp, respectively. Amounts borrowed under the 2014 Term Loan Facilities may not be reborrowed. The 2014 Term Loan Facilities have a ten-year term and the facility amount is to be the lowest of 60% of the delivered cost per vessel, \$16,800 per vessel, and 60% of the fair market value of each vessel at delivery. The 2014 Term Loan Facilities are to be insured by the China Export & Credit Insurance Corporation (Sinasure) in order to cover political and commercial risks for 95% of the outstanding principal plus interest, which will be recorded in deferred financing fees. Borrowings under the 2014 Term Loan Facilities bear interest at the three or six-month LIBOR rate plus an applicable margin of 2.50% per annum. Borrowings are to be repaid in 20 equal consecutive semi-annual installments of 1/24 of the facility amount plus a balloon payment of 1/6 of the facility amount at final maturity. Principal repayments will commence six months after the actual delivery date for a vessel.

Borrowings under the 2014 Term Loan Facilities are to be secured by liens on the Company's vessels acquired with borrowings under these facilities, namely the Baltic Hornet and Baltic Wasp, and other related assets. The Company is to guarantee the obligations of the Baltic Hornet and Baltic Wasp under the 2014 Term Loan Facilities.

The 2014 Term Loan Facilities require the Company, Baltic Hornet Limited and Baltic Wasp Limited to comply with covenants comparable to those of the Company's \$44 Million Term Loan Facility, except for a collateral maintenance covenant requiring that the minimum fair market value of the vessel acquired be 135% of the amount outstanding under the 2014 Term Loan Facilities.

On October 24, 2014, we drew down \$16,800 for the purchase of the Baltic Hornet, which was delivered on October 29, 2014. On December 30, 2014, we drew down \$16,350 for the purchase of the Baltic Wasp, which was delivered on January 2, 2015.

On May 28, 2013, we closed on an equity offering of 6,419,217 shares of common stock at an offering price of \$3.60 per share. We received net proceeds of \$21,564 after deducting underwriters' fees and expenses. On September 25, 2013, we closed on an equity offering of 13,800,000 shares of common stock at an offering price of \$4.60 per share. We received net proceeds of \$59,474 after deducting underwriters' fees and expenses. On November 18, 2013, we closed an equity offering of 12,650,000 shares of common stock at an offering price of \$4.60 per share. We received net proceeds of \$55,125 after deducting underwriters' fees and expenses. Additionally, pursuant to the Management Agreement, for so long as Genco directly or indirectly holds at least 10% of the aggregate number of outstanding shares of our common stock and Class B stock, Genco will be entitled to receive at no cost an additional number of shares of Class B stock equal to 2% of the number of common shares issued, other than shares issued under the our 2010 Equity Incentive Plan. As a result of these equity offerings, Genco was issued 128,383, 276,000 and 253,000 shares of Class B stock, respectively, which represents 2% of the number of common shares issued.

Our business is capital intensive, and our future success will depend on our ability to maintain a high-quality fleet through the acquisition of newer drybulk vessels and the selective sale of older drybulk vessels. These acquisitions will be principally subject to management's expectation of future market conditions as well as our ability to acquire drybulk vessels on favorable terms.

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On November 13, 2013, we entered into agreements to purchase up to four 64,000 dwt Ultramax newbuilding drybulk vessels from Yangfan Group Co., Ltd. for a purchase price of \$28,000 per vessel, or up to \$112,000 in the aggregate. We agreed to purchase two such vessels, to be renamed the Baltic Hornet and Baltic Wasp, and obtained an option to purchase up to two additional such vessels for the same price, which we exercised on January 8, 2014. These vessels are to be renamed the Baltic Mantis and the Baltic Scorpion. The purchases are subject to completion of customary additional documentation and closing conditions. The first of these vessels, the Baltic Hornet, was delivered on October 29, 2014. The Baltic Wasp delivered on January 2, 2015. The Baltic Scorpion and the Baltic Mantis are expected to be delivered to us during the second and third quarters of 2015, respectively. We intend to use a combination of cash on hand, future cash flow from operations as well as debt or equity financing, including the 2014 Term Loan Facilities and the \$148 Million Credit Facility, to finance the acquisition of these four Ultramax newbuilding drybulk vessels. If we are unable to obtain such debt or equity financing to fund the vessels, we may pursue alternatives, including dispositions of assets.

Our dividend policy will also impact our future liquidity position. We currently intend to pay a variable quarterly dividend equal to our Cash Available for Distribution from the previous quarter (refer to Dividend Policy below), subject to any reserves the Board of Directors may from time to time determine are required. These reserves may cover, among other things, drydocking, repairs, claims, liabilities and other obligations, debt amortization, acquisitions of additional assets and working capital. Although the Board of Directors decided not to declare a dividend for the last quarter of 2014 due to the weakened current rate environment, during the

past three years we have paid dividends even though the application of the formula in our policy would have resulted in a lesser dividend or no dividend, although we may not continue to do so.

### Dividend Policy

We have adopted a dividend policy to pay a variable quarterly dividend equal to our Cash Available for Distribution during the previous quarter, subject to any reserves our Board of Directors may from time to time determine are required. Dividends are paid equally on a per-share basis between our common stock and our Class B stock. Cash Available for Distribution represents our net income (loss) less cash expenditures for capital items related to our fleet, such as drydocking or special surveys, other than vessel acquisitions and related expenses, plus non-cash compensation. For purposes of calculating Cash Available for Distribution, we may disregard non-cash adjustments to our net income (loss), such as those that would result from acquiring a vessel subject to a charter that was above or below market rates.

The following table illustrates the calculation of Cash Available for Distribution (non-cash adjustments we may disregard are not included):

Net Income (Loss)

Less Fleet Related Capital Maintenance Expenditures

Plus Non-Cash Compensation

Cash Available for Distribution

As a result of the current market conditions, the Board of Directors did not declare a dividend for the fourth quarter of 2014. The application of our dividend policy would have resulted in a lesser dividend or no dividend for the first three quarters of 2014 and for each quarter during 2013, 2012 and 2011; however, based on our cash flow, liquidity and capital resources, our Board of Directors determined to declare a dividend for those quarters. While our Board of Directors may consider declaring future dividends that exceed the amount determined by our policy, we cannot assure you that they will do so, and the recent dividend declarations do not represent a change in our policy.

The following table summarizes the dividends declared based on the results of each fiscal quarter:

	Dividend per share	Declaration date
<b>FISCAL YEAR ENDING DECEMBER 31, 2014</b>		
4th Quarter	\$	
3rd Quarter	\$ 0.01	11/4/2014
2nd Quarter	\$ 0.01	7/29/2014
1st Quarter	\$ 0.01	5/5/2014

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	Dividend per share	Declaration date
<b>FISCAL YEAR ENDING DECEMBER 31, 2013</b>		
4th Quarter	\$ 0.03	2/25/2014
3rd Quarter	\$ 0.02	10/31/2013
2nd Quarter	\$ 0.01	7/30/2013
1st Quarter	\$ 0.01	4/30/2013

	Dividend per share	Declaration date
<b>FISCAL YEAR ENDING DECEMBER 31, 2012</b>		
4th Quarter	\$ 0.01	2/14/2013
3rd Quarter	\$ 0.01	10/31/2012
2nd Quarter	\$ 0.05	7/26/2012
1st Quarter	\$ 0.05	4/26/2012



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The aggregate amount of the dividend paid in 2014, 2013 and 2012 was \$3,454, \$1,888 and \$5,448, respectively, which we funded from cash on hand.

As a result of current market conditions, the Board of Directors did not declare a dividend for the fourth quarter of 2014. Our dividend policy is to pay a variable quarterly dividend equal to our Cash Available for Distribution, during the previous quarter, subject to any reserves our board of directors may from time to time determine are required. Dividends will be paid equally on a per-share basis between our common stock and our Class B stock. Cash Available for Distribution represents our net income less cash expenditures for capital items related to our fleet, such as drydocking or special surveys, other than vessel acquisitions and related expenses, plus non-cash compensation. For purposes of calculating Cash Available for Distribution, we may disregard non-cash adjustments to our net income, such as those that would result from acquiring a vessel subject to a charter that was above or below market rates. We intend to pay dividends on a quarterly basis.

We believe that our dividend payments generally will constitute dividends for current U.S. federal income tax purposes to the extent of our earnings and profits and, in the case of non-corporate shareholders, generally will constitute qualified dividend income, provided that (1) our common stock continues to be readily tradable on an established securities market in the U.S. (such as the Nasdaq, on which our common stock is traded), (2) we are not a PFIC for the taxable year in which the dividend is paid or the immediately preceding year (which we do not believe we have been, are, or will be), (3) certain holding requirements are satisfied, and (4) the recipient is not under an obligation to make related payments with respect to positions in substantially similar or related property. Currently, the maximum U.S. federal income tax rate on qualified dividend income paid to non-corporate shareholders is 20%. All or a portion of dividend income received by our U.S. shareholders whose modified adjusted gross income exceeds certain thresholds (\$250,000 for married taxpayers filing jointly and \$200,000 for single taxpayers) may also be subject to a 3.8% surtax. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of a U.S. shareholder's tax basis in its common stock on a dollar-for-dollar basis and, thereafter, as capital gain.

### **Limitations on Dividends and Our Ability to Change Our Dividend Policy**

There is no guarantee that our shareholders will receive quarterly dividends from us. Our dividend policy may be changed at any time by our Board of Directors and is subject to certain restrictions, including:

- Our shareholders have no contractual or other legal right to receive dividends.
- Our Board of Directors has authority to establish reserves for the prudent conduct of our business, after giving effect to contingent liabilities, the terms of any credit facilities we may enter into, our other cash needs and the requirements of Marshall Islands law. The establishment of these reserves could result in a reduction in dividends to you. We do not anticipate the need for reserves at this time.
- Our Board of Directors may modify or terminate our dividend policy at any time. Even if our dividend policy is not modified or revoked, the amount of dividends we pay under our dividend policy and the decision to pay any dividend is determined by our Board of Directors.

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- Marshall Islands law generally prohibits the payment of a dividend when a company is insolvent or would be rendered insolvent by the payment of such a dividend or when the declaration or payment would be contrary to any restriction contained in the Company's articles of incorporation. Dividends may be declared and paid out of surplus only, but if there is no surplus, dividends may be declared or paid out of the net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year.
- We may lack sufficient cash to pay dividends due to decreases in net voyage revenues or increases in operating expenses, principal and interest payments on outstanding debt, tax expenses, working capital requirements, capital expenditures or other anticipated or unanticipated cash needs.
- Our dividend policy may be affected by restrictions on distributions under any credit facilities we may enter into, which contain material financial tests and covenants that must be satisfied. If we are unable to satisfy these restrictions included in the credit facilities or if we are otherwise in default under the facilities, we would be prohibited from making cash distributions to you, notwithstanding our stated cash dividend policy.
- While we intend that future acquisitions to expand our fleet will enhance our ability to pay dividends over time, acquisitions could limit our Cash Available for Distribution.

Our ability to make distributions to our shareholders will depend upon the performance of our current and future wholly-owned subsidiaries through which we own and operate vessels, which are our principal cash-generating assets, and their ability to distribute funds to us. The ability of our ship-owning or other subsidiaries to make distributions to us may be restricted by, among other things, the provisions of future indebtedness, applicable corporate or limited liability company laws and other laws and regulations.

We have a limited operating history upon which to rely as to whether we will have sufficient cash available to pay dividends on our common stock. In addition, the drybulk vessel spot charter market is highly volatile, and we cannot accurately predict the amount of cash distributions, if any, that we may make in any period. Factors beyond our control may affect the charter market for our vessels, our charterers' ability to satisfy their contractual obligations to us, and our voyage and operating expenses.

### Cash Flow

Net cash provided by operating activities for the twelve months ended December 31, 2014 was \$1,096 compared to \$2,603 for the twelve months ended December 31, 2013. The \$1,507 change in cash provided by operating activities was a result of the following factors: the Company recorded a net loss in the amount of \$20,267 for the twelve months ended December 31, 2014 compared to a net loss of \$11,392 for the twelve months ended December 31, 2013. As a result of the increase in the size of our fleet, included in the net loss was an increase in depreciation of \$5,451 for the twelve months ended December 31, 2014 compared to the prior year period. The change in accounts receivable balances year-over-year resulted in an additional \$3,931 due to the timing of payments received from charterers. Additionally, restricted stock amortization increased by \$1,942 for the twelve months ended December 31, 2014 as compared to the same period of last year. The increases in cash provided by operating activities were offset by a \$3,340 increase in deferred drydocking costs incurred, as six of our vessels were drydocked during the first half of 2014.

Net cash used in investing activities for the twelve months ended December 31, 2014 was \$72,736 and primarily related to purchase of vessels, including deposits made and amounts held in escrow reflected as restricted cash for our newbuilding Ultramax vessels. For the twelve months ended December 31, 2013, net cash used in investing activities was \$147,212 and predominantly related to the acquisition of two Handysize and two Capesize vessels.

Net cash provided by financing activities for the twelve months ended December 31, 2014 was \$23,376 as compared to \$199,522 for the twelve months ended December 31, 2013. Net cash provided by financing activities during the twelve months of 2014 was due to \$33,150 of proceeds from the 2014 Term Loan Facilities for the purchase of two Ultramax newbuilding vessels. This was primarily offset by the following uses of cash: \$2,750 repayment of debt under our \$44 Million Term Loan Facility and \$1,500 repayment of debt under our \$22 Million Term Loan Facility. Cash dividends paid for the twelve months ended December 31, 2014 were \$3,454 compared to \$1,888 paid during the same period of 2013. Net cash provided by financing activities for the twelve months ended December 31, 2013 mainly consisted of \$136,980 of proceeds from the issuance of common stock and \$66,000 of proceeds from the \$22 Million Term Loan Facility and the \$44 Million Term Loan Facility.

Net cash provided by operating activities for the years ended December 31, 2013 and 2012 was \$2,603 and \$433, respectively. The \$2,170 change in cash provided by operating activities was primarily a result of a lower recorded net loss in the amount of \$11,392 for the year ended December 31, 2013 compared to a net loss of \$17,270 for the year ended December 31, 2012. This was partially offset by an increase of receivables in the amount of \$4,175 for the year ended December 31, 2013 when compared to the year ended December 31, 2012 mainly due to the timing of payments from charterers and the higher rates achieved by our fleet towards the end of the quarter ended December 31, 2013.

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Net cash used in investing activities for the year ended December 31, 2013 was \$147,212 and primarily related to the purchase of two Handysize and two Capesize vessels. For the year ended December 31, 2012, net cash used in investing activities was \$5 for the purchase of fixed assets.

Net cash provided by financing activities for the year ended December 31, 2013 was \$199,522 as compared to net cash used in financing activities of \$5,448 for the year ended December 31, 2012. The increase in net cash provided by financing activities was primarily a result of the \$136,274 of net proceeds from our follow-on equity offerings in May, September and November 2013, \$44,000 of proceeds from our \$44 Million Term Loan Facility, \$22,000 of proceeds from our \$22 Million Term Loan Facility as well as a \$1,000 draw down under our 2010 Credit Facility slightly offset by \$375 repayment of debt under our \$22 Million Term Loan Facility and \$1,489 for payments of deferred financing costs. Cash dividends paid during 2013 were \$1,888 compared to \$5,448 paid during 2012.

### **Contractual Obligations**

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2014. The table reflects the agreements to acquire the remaining three newbuilding Ultramax drybulk vessels from Yangfan Group Co., Ltd. for an aggregate purchase price of \$84,000. We plan to finance these acquisitions with a combination of cash on hand, future cash flow from

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operations, as well as debt or equity financing, including the 2014 Term Loan Facilities and the \$148 Million Credit Facility, as discussed above under Liquidity and Capital Resources. This table also incorporates sales and purchase fees payable to Genco pursuant to the Management Agreement which is equivalent to 1% of the gross purchase or sale price of any vessel acquisitions or disposals due upon the consummation of any purchase or sale of one of our vessels. The interest and borrowing fees in the table incorporate the unused fees and interest expense related to the \$22 Million Term Loan Facility, \$44 Million Term Loan Facility and the 2014 Term Loan Facilities, as well as other fees associated with these facilities. Additionally, the interest and borrowing fees incorporate the unused fees, interest expense and the arrangement fee and structuring fee related to the \$148 Million Credit Facility, which was entered into effective December 31, 2014 and was utilized to refinance the 2010 Credit Facility. The arrangement fee and structuring fee for the \$148 Million Credit Facility were \$1,620 and \$370, respectively. Refer to Note 7 Debt in our consolidated financial statements for further information regarding the \$148 Million Credit Facility, as well as the terms of the \$22 Million Term Loan Facility, the \$44 Million Term Loan Facility and the 2014 Term Loan Facilities.

	Total	Less Than One Year	One to Three Years	Three to Five Years	More than Five Years
Credit Agreements (2)	\$ 199,025	\$ 6,331	\$ 30,441	\$ 142,234	\$ 20,019
Interest and borrowing fees	32,379	8,700	12,152	9,740	1,787
Remainder of purchase price of vessels (1)	42,000	42,000			
Sales and purchase fees (1)	840	840			
<b>Total</b>	<b>\$ 274,244</b>	<b>\$ 57,871</b>	<b>\$ 42,593</b>	<b>\$ 151,974</b>	<b>\$ 21,806</b>

(1) The timing of this obligation is based on the estimated delivery dates for the Baltic Scorpion and Baltic Mantis. Upon the delivery of the Baltic Wasp on January 2, 2015, the remaining purchase price of \$19,600 was paid to Yangfan Group Co., LTD and we will be required to pay a sale and purchase fee to Genco pursuant to the Management Agreement for 1.0% of the total aggregate purchase price, or \$280. As of December 31, 2014, the \$19,600 remaining purchase price for the Baltic Wasp was included in Restricted Cash in the consolidated balance sheets as the payment was being held in an escrow account until the vessel was delivered on January 2, 2015. As such, this payment is excluded in the table above.

(2) On December 30, 2014, \$16,350 was drawn down from the 2014 Term Loan Facilities in order to fund the purchase of the Baltic Wasp, which was delivered to us on January 2, 2015. As such, it is included in the total contractual obligations for credit agreement payments as of December 31, 2014. These amounts do not include the \$10,500 that was drawn down on the \$148 Million Credit Facility on February 27, 2015.

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

### Capital Expenditures

We make capital expenditures from time to time in connection with our vessel acquisitions. Our fleet currently consists of four Capesize drybulk carriers, two Ultramax drybulk carriers, four Supramax drybulk carriers and five Handysize drybulk carriers. After the expected delivery of the four Ultramax vessels that we have agreed to acquire, we will own 17 drybulk vessels, consisting of four Capesize drybulk carriers, four Ultramax drybulk carriers, four Supramax drybulk carriers and five Handysize drybulk carriers. We intend to use a combination of cash on hand, future cash flow from operations as well as debt or equity financing, including the 2014 Term Loan Facilities and the \$148 Million Credit Facility, to fully finance the acquisition of these four Ultramax newbuilding drybulk vessels.

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In addition to acquisitions that we may undertake in future periods, we will incur additional capital expenditures due to special surveys and drydockings for our fleet. As previously announced, we have initiated a fuel efficiency upgrade program for certain of our vessels. We believe this program will generate considerable fuel savings going forward and increase the future earnings potential for these vessels. The upgrades have been successfully installed on five of our vessels, the Baltic Cougar, the Baltic Panther, the Baltic Leopard, the Baltic Jaguar and the Baltic Wind, which completed their planned drydockings during the first half of 2014. The costs of the upgrade, which will be performed under the planned drydocking schedule for two of our Capesize vessels, is expected to be approximately \$500 per vessel and is included in our estimated drydocking costs below.

Under U.S. Federal law and 33 CFR, Part 151, Subpart D, U.S. approved ballast water treatment systems will be required to be installed in all vessels at the first out of water drydocking after January 1, 2016 if these vessels are to discharge ballast water inside 12 nautical miles of the coast of the United States. Currently, we do not believe there are any ballast water

treatment systems that are approved by U.S. authorities; however, an alternative management system ( AMS ) may be installed in lieu. For example, in February 2015, the USCG added Bawat to the list of ballast water treatment systems that received AMS acceptance. An AMS is valid for five years from the date of required compliance with ballast water discharge standards, by which time it must be replaced by an approved system unless the AMS itself achieves approval. The cost of these systems will vary based on the size of the vessel, and the Company estimates the cost of the systems to be \$950 for Capesize, \$800 for Panamax, \$750 for Supramax, \$700 for Handymax and \$650 for Handysize vessels. Any newbuilding vessels that we acquire will have an AMS installed when the vessel is being built. The costs of ballast water treatment systems will be capitalized and depreciated over the remainder of the life of the vessel, assuming the system the Company installs becomes approved. These amounts would be in addition to the amounts budgeted for drydocking below.

We estimate our drydocking costs, including capitalized costs incurred during drydocking related to vessels assets and vessel equipment, and scheduled off-hire days for our fleet through 2016 to be:

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

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

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

We incurred drydocking costs of \$3,448 and \$108 during the years ended December 31, 2014 and 2013, respectively.

Six of our vessels were drydocked during 2014. The Baltic Cougar, the Baltic Panther, the Baltic Wind, the Baltic Hare, the Baltic Leopard and the Baltic Jaguar completed drydockings during the first half of 2014 and were on planned offhire for 113.4 days in connection with the scheduled drydockings. We estimate that five of our vessels will be drydocked during 2015 and two of our vessels will be drydocked during 2016.

#### Off-Balance Sheet Arrangements

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

**Inflation**

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

**CRITICAL ACCOUNTING POLICIES**

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

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



### Time Charters Acquired

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

During the years ended December 31, 2014 and 2013, we did not acquire vessels with existing time charters for which there was a significant difference between the present value of the difference between the contractual amounts to be paid and our estimate of the fair market charter rate.

### Performance Claims

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

### Vessels and Depreciation

We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel and expenditures made to prepare the vessel for its initial voyage) less accumulated depreciation. We depreciate our drybulk vessels on a straight-line basis over their estimated useful lives, estimated to be 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less the estimated residual scrap value. Effective July 9, 2014, upon Genco's emergence from bankruptcy, we increased the estimated scrap value of the vessels from \$245/lwt to \$310/lwt prospectively based on the 15-year average scrap value of steel. This increase in the residual value of the vessels will decrease the annual depreciation charge over the remaining useful life of the vessels. During the year ended December 31, 2014, the increase in the estimated scrap value resulted in a decrease in depreciation expense of approximately \$0.3 million. Similarly, an increase in the useful life of a drybulk vessel would also decrease the annual depreciation charge. Comparatively, a decrease in the useful life of a drybulk vessel or in its residual value would have the effect of increasing the annual depreciation charge. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, we will adjust the vessel's useful life to end at the date such regulations preclude such vessel's further commercial use.

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The carrying value each of our vessels does not represent the fair market value of such vessel or the amount we could obtain if we were to sell any of our vessels, which could be more or less. Under U.S. GAAP, we would not record a loss if the fair market value of a vessel (excluding its charter) is below our carrying value unless and until we determine to sell that vessel or the vessel is impaired as discussed below under Impairment of long-lived assets. We have never sold any of our vessels, although we may do so in the future.

Pursuant to our 2010 Credit Facility, \$22 Million Term Loan Facility, \$44 Million Term Loan Facility and 2014 Term Loan Facilities, we regularly submit to the lenders valuations of our vessels on an individual charter free basis in order to evidence our compliance with the collateral maintenance covenants under these facilities. Such a valuation is not necessarily the same as the amount any vessel may bring upon sale, which may be more or less, and should not be relied upon as such. We were in compliance with the collateral maintenance covenants under our 2010 Credit Facility, \$22 Million Term Loan Facility and \$44 Million Term Loan Facility at December 31, 2014 and 2013 and our 2014 Term Loan Facilities at December 31, 2014. Although the \$148 Million Credit Facility was entered into effective December 31, 2014, the underlying covenants were not applicable as we did not draw down on the facility until January 7, 2015. In the chart below, we list each of our vessels, the year it was built, the year we acquired it, and its carrying value at December 31, 2014 and 2013.

At December 31, 2014, the vessel valuations for all of our vessels for covenant compliance purposes as of the most recent compliance testing date were lower than their carrying values as of December 31, 2014. At December 31, 2013, the vessel valuations

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for all of our vessels for covenant compliance purposes as of the most recent compliance testing date, with the exception of the Baltic Fox and the Baltic Hare, were lower than their carrying values at December 31, 2013. The most recent compliance testing dates were December 31, 2014 and 2013 for the 2010 Credit Facility, \$22 Million Term Loan Facility, the \$44 Million Term Loan Facility and the \$148 Million Credit Facility.

The amount by which the carrying value at December 31, 2014 of all the vessels in our fleet exceeded the valuation of such vessels for covenant compliance purposes ranged, on an individual basis, from \$1.5 million to \$22.0 million per vessel, and \$141.7 million on an aggregate fleet basis. The amount by which the carrying value at December 31, 2013 of all the vessels in our fleet, with the exception of the Baltic Fox and the Baltic Hare, exceeded the valuation of such vessels for covenant compliance purposes ranged, on an individual basis, from \$0.3 million to \$20.9 million per vessel, and \$103.7 million on an aggregate fleet basis. The average amount by which the carrying value of these vessels exceeded the valuation of such vessels for covenant compliance purposes was \$10.1 million as of December 31, 2014 and \$9.4 million as of December 31, 2013. However, neither such valuation nor the carrying value in the table below reflects the value of time charters related to some of our vessels.

Vessels	Year Built	Year Acquired	Carrying Value (U.S. Dollars in Thousands) as of	
			December 31, 2014	December 31, 2013
<b><u>2010 Credit Facility</u></b>				
Baltic Leopard	2009	2009	\$ 29,472	\$ 30,608
Baltic Panther	2009	2010	29,549	30,686
Baltic Cougar	2009	2010	29,694	30,837
Baltic Jaguar	2009	2010	29,629	30,756
Baltic Bear	2010	2010	61,750	64,378
Baltic Wolf	2010	2010	61,394	64,014
Baltic Wind	2009	2010	28,247	29,366
Baltic Cove	2010	2010	28,463	29,724
Baltic Breeze	2010	2010	29,032	30,291
TOTAL			\$ 327,230	\$ 340,660
<b><u>\$22 Million Term Loan Facility</u></b>				
Baltic Fox	2010	2013	20,299	21,224
Baltic Hare	2009	2013	19,257	20,152
TOTAL			\$ 39,556	\$ 41,376
<b><u>\$44 Million Term Loan Facility</u></b>				
Baltic Lion	2012	2013	51,301	53,114
Baltic Tiger	2011	2013	49,181	50,919
TOTAL			\$ 100,482	\$ 104,033
<b><u>2014 Term Loan Facilities</u></b>				
Baltic Hornet	2014	2014	28,942	
TOTAL			\$ 28,942	\$
Consolidated Total			\$ 496,210	\$ 486,069

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

Deferred drydocking costs

Our vessels are required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are operating. We capitalize the costs associated with drydockings as they occur and amortize these costs on a straight-line basis over the period between drydockings. Deferred drydocking costs include actual costs incurred at the drydock yard; cost of travel, lodging and subsistence of our personnel sent to the drydocking site to supervise; and the cost of hiring a third party to oversee the drydocking. We believe that these criteria are consistent with U.S. GAAP guidelines and industry practice

and that our policy of capitalization reflects the economics and market values of the vessels. Costs that are not related to drydocking are expensed as incurred. If the vessel is drydocked earlier than originally anticipated, any remaining deferred drydock costs that have not been amortized are expensed at the end of the next drydock.

#### Impairment of long-lived assets

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

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

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

For purposes of our December 31, 2014 disclosure below, we determined that the future income streams expected to be earned by such vessels over their remaining operating lives on an undiscounted basis would be sufficient to recover their carrying values and, accordingly, it confirmed that our vessels were not impaired under U.S. GAAP. Our estimated future undiscounted cash flows exceeded each of our vessels' carrying values by a considerable margin (85% - 500% of carrying value) for all of the vessels in our fleet as of December 31, 2014. Our vessels remain fully utilized and have a relatively long average remaining useful life of approximately 20.6 years in which to recover sufficient cash flows on an undiscounted basis to recover their carrying values as of December 31, 2014. Management will continue to monitor developments in charter rates in the markets in which it participates with respect to the expectation of future rates over an extended period of time that are utilized in the analyses.

In developing estimates of future undiscounted cash flows, we make assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, vessels' operating expenses, vessels' capital expenditures and drydocking requirements, vessels' residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends. Specifically, we utilize the rates currently in effect for the duration of their current spot market-related time charters. For periods of time where our vessels are not fixed on such charters, we utilize an estimated daily time charter equivalent for our vessels based on the most recent ten year historical one year time charter average. Actual equivalent drybulk shipping rates are currently lower than the estimated rate. We believe current rates have been driven by short-term disruptions or seasonal issues as discussed under Management's Discussion and Analysis Results of Operations Voyage Revenues.

Of the inputs that the Company uses for its impairment analysis, future time charter rates are the most significant and most volatile. Based on the sensitivity analysis performed by the Company, the Company would record impairment on its vessels for time charter declines from their most recent ten-year historical one-year time charter averages as follows:

**Percentage Decline from Ten-Year  
Historical One-Year Time Charter  
Average at Which Point Impairment  
Would be Recorded**

<b>Vessel Class</b>	<b>As of December 31, 2014</b>	<b>As of December 31, 2013</b>
Capesize	(61.0)%	(65.6)%
Ultramax	(54.8)%	
Supramax	(43.2)%	(48.1)%
Handysize	(23.4)%	(30.6)%

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

**TCE Rates as Compared with Ten-  
Year Historical One-Year Time  
Charter Average  
(as percentage above/(below))**

Vessel Class	As of December 31, 2014	As of December 31, 2013
Capesize	(68.9)%	(66.9)%
Ultramax	(55.6)%	
Supramax	(64.2)%	(63.5)%
Handysize	(45.7)%	(43.6)%

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

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

#### Fair value of financial instruments

The estimated fair values of our financial instruments such as amounts due to / due from charterers, accounts payable and long-term debt approximate their individual carrying amounts as of December 31, 2014 and December 31, 2013 due to their short-term maturity or the variable-rate nature of the respective borrowings under our credit facilities. See Note 8 - Fair Value of Financial Instruments in our consolidated financial statements for additional disclosure on the fair values of long term debt.

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

### **Interest rate risk**

The international shipping industry is a capital intensive industry, requiring significant amounts of investment. Effective April 16, 2010, we entered into the 2010 Credit Facility, which has provided us with financing for completed vessel acquisitions as well as working capital borrowings. Effective December 31, 2014, we entered into the \$148 Million Credit Facility which was used to refinance the existing indebtedness under the 2010 Credit Facility on January 7, 2015. Additionally, effective August 30, 2013 and December 3, 2013, we entered the \$22 Million Term Loan Facility and the \$44 Million Term Loan Facility, respectively, which provided us with financing the purchase of four vessels during the year ended December 31, 2013. Lastly, effective October 8, 2014 we entered into the 2014 Term Loan Facilities which provided us with financing the purchase of two vessels during the year ended December 31, 2014. Our interest expense under any such credit

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facility will be affected by changes in LIBOR rates as outstanding debt on the amended 2010 Credit Facility and \$148 Million Credit Facility is based on LIBOR plus an applicable margin of 3.00% per annum and is based on three-month LIBOR plus an applicable margin of 3.35% per annum on the outstanding debt under the \$22 Million Term Loan Facility and the \$44 Million Term Loan Facility. Additionally, interest expense under the 2014 Term Loan Facilities is based on three-month LIBOR plus and applicable margin of 2.50%. Increasing interest rates could adversely impact our future earnings. A 1% increase in LIBOR would result in an increase of \$1.5 million in interest expense for the year ended December 31, 2014.

### **Currency and exchange rates risk**

The international shipping industry's functional currency is the U.S. Dollar. We expect that virtually all of our revenues and most of our operating costs will be in U.S. Dollars. We expect to incur certain operating expenses in currencies other than the U.S. dollar, and we expect the foreign exchange risk associated with these operating expenses to be immaterial.



**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Baltic Trading Limited**

Consolidated Financial Statements as of December 31, 2014 and 2013 and for the Years Ended December 31, 2014, 2013 and 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Baltic Trading Limited

New York, New York

We have audited the accompanying consolidated balance sheets of Baltic Trading Limited and subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Baltic Trading Limited and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

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

/s/ DELOITTE & TOUCHE LLP

New York, New York  
March 2, 2015

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**Baltic Trading Limited**

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

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

	December 31,	
	2014	2013
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 9,929	\$ 58,193
Due from charterers, net	3,948	4,412
Prepaid expenses and other current assets	5,506	4,085
Total current assets	19,383	66,690
Noncurrent assets:		
Vessels, net of accumulated depreciation of \$72,921 and \$52,459, respectively	496,210	486,069
Deposits on vessels	23,733	1,013
Deferred drydock, net of accumulated amortization of \$505 and \$0, respectively	3,049	108
Fixed assets, net of accumulated depreciation of \$66 and \$47, respectively	120	678
Deferred financing costs, net of accumulated amortization of \$295 and \$1,785, respectively	6,078	2,809
Restricted cash	19,645	
Total noncurrent assets	548,835	490,677
Total assets	\$ 568,218	\$ 557,367
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,316	\$ 3,782
Deferred revenue	98	409
Due to Parent	147	198
Current portion of long-term debt	6,331	4,250
Total current liabilities	12,892	8,639
Noncurrent liabilities:		
Long-term debt	190,444	163,625
Total noncurrent liabilities:	190,444	163,625
Total liabilities	203,336	172,264
Commitments and contingencies		
Shareholders' equity:		
Common stock, par value \$0.01; 500,000,000 shares authorized; issued and outstanding 52,255,241 and 51,168,896 shares at December 31, 2014 and 2013, respectively	523	512
Class B stock, par value \$0.01; 100,000,000 shares authorized; issued and outstanding 6,356,471 at December 31, 2014 and 2013	64	64
Additional paid-in capital	412,771	412,736
Accumulated deficit	(48,476)	(28,209)
Total shareholders' equity	364,882	385,103
Total liabilities and shareholders' equity	\$ 568,218	\$ 557,367

See accompanying notes to consolidated financial statements.



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**Baltic Trading Limited**

Consolidated Statements of Operations for the Years Ended December 31, 2014, 2013 and 2012

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

	For the Years Ended December 31,		
	2014	2013	2012
Revenues	\$ 45,520	\$ 35,973	\$ 27,304
Operating expenses:			
Voyage expenses	1,396	1,151	1,142
Voyage expenses to Parent	578	461	346
Vessel operating expenses	24,872	17,590	16,730
General, administrative and technical management fees	8,389	5,445	4,768
Management fees to Parent	3,607	2,671	2,471
Depreciation and amortization	21,015	15,564	14,814
Total operating expenses	59,857	42,882	40,271
Operating loss	(14,337)	(6,909)	(12,967)
Other (expense) income:			
Other expense	(9)	(17)	(28)
Interest income	28	23	5
Interest expense	(5,892)	(4,455)	(4,252)
Other expense, net	(5,873)	(4,449)	(4,275)
Loss before income taxes	(20,210)	(11,358)	(17,242)
Income tax expense	(57)	(34)	(28)
Net loss	\$ (20,267)	\$ (11,392)	\$ (17,270)
Net loss per share of common and Class B stock:			
Net loss per share-basic	\$ (0.36)	\$ (0.36)	\$ (0.78)
Net loss per share-diluted	\$ (0.36)	\$ (0.36)	\$ (0.78)
Dividends declared and paid per share of common and Class B Stock	\$ 0.06	\$ 0.05	\$ 0.24

See accompanying notes to consolidated financial statements.

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**Baltic Trading Limited**

Consolidated Statement of Shareholders' Equity

For the Years Ended December 31, 2014, 2013 and 2012

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

		Common Stock Par Value	Class B Stock Par Value	Additional Paid-in Capital	Accumulated Deficit	Total
Balance	January 1, 2012	\$ 170	\$ 57	\$ 280,923	\$ 453	\$ 281,603
	Net loss				(17,270)	(17,270)
	Cash dividends paid (\$0.24 per share)			(5,448)		(5,448)
	Issuance of 299,999 shares of nonvested common stock	3		(3)		
	Nonvested stock amortization			1,777		1,777
Balance	December 31, 2012	\$ 173	\$ 57	\$ 277,249	\$ (16,817)	\$ 260,662
	Net loss				(11,392)	(11,392)
	Cash dividends paid (\$0.05 per share)			(1,888)		(1,888)
	Issuance of 32,869,217 shares of common stock	329		135,834		136,163
	Issuance of 657,383 shares of Class B stock		7	(7)		
	Issuance of 998,680 shares of nonvested common stock	10		(10)		
	Nonvested stock amortization			1,558		1,558
Balance	December 31, 2013	\$ 512	\$ 64	\$ 412,736	\$ (28,209)	\$ 385,103
	Net Loss				(20,267)	(20,267)
	Cash dividends paid (\$0.06 per share)			(3,454)		(3,454)
	Issuance of 1,086,345 shares of nonvested common stock	11		(11)		
	Nonvested stock amortization			3,500		3,500
Balance	December 31, 2014	\$ 523	\$ 64	\$ 412,771	\$ (48,476)	\$ 364,882

See accompanying notes to consolidated financial statements.



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**Baltic Trading Limited**

Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012

(U.S. Dollars in Thousands)

	For the Years Ended December 31,		
	2014	2013	2012
<b>Cash flows from operating activities:</b>			
Net loss	\$ (20,267)	\$ (11,392)	\$ (17,270)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	21,015	15,564	14,814
Amortization of deferred financing costs	803	581	467
Amortization of nonvested stock compensation expense	3,500	1,558	1,777
Change in assets and liabilities:			
Decrease (increase) in due from charterers	464	(3,467)	708
Increase in prepaid expenses and other current assets	(1,414)	(1,193)	(425)
Increase in accounts payable and accrued expenses	744	812	197
Increase (decrease) in due to Parent	10	100	(25)
(Decrease) increase in deferred revenue	(311)	148	190
Deferred drydock costs incurred	(3,448)	(108)	
<b>Net cash provided by operating activities</b>	<b>1,096</b>	<b>2,603</b>	<b>433</b>
<b>Cash flows from investing activities:</b>			
Purchase of vessels, including deposits	(52,953)	(146,598)	
Purchase of fixed assets	(138)	(614)	(5)
Changes in deposits of restricted cash	(19,645)		
<b>Net cash used in investing activities</b>	<b>(72,736)</b>	<b>(147,212)</b>	<b>(5)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from the 2010 Credit Facility		1,000	
Proceeds from the \$22 Million Term Loan Facility		22,000	
Repayments on the \$22 Million Term Loan Facility	(1,500)	(375)	
Proceeds from the \$44 Million Term Loan Facility		44,000	
Repayments on the \$44 Million Term Loan Facility	(2,750)		
Proceeds from the 2014 Term Loan Facilities	33,150		
Cash dividends paid	(3,454)	(1,888)	(5,448)
Proceeds from issuance of common stock		136,980	
Payments of common stock issuance costs	(111)	(706)	
Payment of deferred financing costs	(1,959)	(1,489)	
<b>Net cash provided by (used in) financing activities</b>	<b>23,376</b>	<b>199,522</b>	<b>(5,448)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(48,264)</b>	<b>54,913</b>	<b>(5,020)</b>
Cash and cash equivalents at beginning of year	58,193	3,280	8,300
Cash and cash equivalents at end of year	\$ 9,929	\$ 58,193	\$ 3,280

See accompanying notes to consolidated financial statements.





**Baltic Trading Limited**

Notes to Consolidated Financial Statements for the Years Ended December 31, 2014, 2013 and 2012

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

1 GENERAL INFORMATION

The accompanying consolidated financial statements include the accounts of Baltic Trading Limited ( "Baltic Trading" ) and its wholly-owned subsidiaries (collectively, the "Company" ). The Company was formed to own and employ drybulk vessels in the spot market. The spot market represents immediate chartering of a vessel, usually for single voyages, or employing vessels on spot market-related time charters. Baltic Trading was formed on October 6, 2009 (the "inception date" ), under the laws of the Republic of the Marshall Islands.

At December 31, 2014, the Company was the sole owner of all of the outstanding shares of the following ship-owning subsidiaries as set forth below:

Wholly-Owned Subsidiaries	Vessels	Dwt	Delivery Date	Year Built
Baltic Leopard Limited	Baltic Leopard	53,447	April 8, 2010	2009
Baltic Panther Limited	Baltic Panther	53,351	April 29, 2010	2009
Baltic Cougar Limited	Baltic Cougar	53,432	May 28, 2010	2009
Baltic Jaguar Limited	Baltic Jaguar	53,474	May 14, 2010	2009
Baltic Bear Limited	Baltic Bear	177,717	May 14, 2010	2010
Baltic Wolf Limited	Baltic Wolf	177,752	October 14, 2010	2010
Baltic Wind Limited	Baltic Wind	34,409	August 4, 2010	2009
Baltic Cove Limited	Baltic Cove	34,403	August 23, 2010	2010
Baltic Breeze Limited	Baltic Breeze	34,386	October 12, 2010	2010
Baltic Fox Limited	Baltic Fox	31,883	September 6, 2013	2010
Baltic Hare Limited	Baltic Hare	31,887	September 5, 2013	2009
Baltic Lion Limited	Baltic Lion	179,185	December 27, 2013	2012
Baltic Tiger Limited	Baltic Tiger	179,185	November 26, 2013	2011
Baltic Hornet Limited	Baltic Hornet	63,574	October 29, 2014	2014
Baltic Wasp Limited	Baltic Wasp	63,389	January 2, 2015	2015
Baltic Scorpion Limited	Baltic Scorpion	64,000	Q2 2015 (1)	2015 (1)
Baltic Mantis Limited	Baltic Mantis	64,000	Q3 2015 (1)	2015 (1)

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

On May 28, 2013, the Company closed an equity offering of 6,419,217 shares of common stock at an offering price of \$3.60 per share. The Company received net proceeds of \$21,564 after deducting underwriters' fees and expenses. On September 25, 2013, the Company closed an equity offering of 13,800,000 shares of common stock at an offering price of \$4.60 per share. The Company received net proceeds of \$59,474 after deducting underwriters' fees and expenses. On November 18, 2013, the Company closed an equity offering of 12,650,000 shares of

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common stock at an offering price of \$4.60 per share. The Company received net proceeds of \$55,125 after deducting underwriters' fees and expenses. Pursuant to the subscription agreement between the Company and Genco Shipping & Trading Limited ( "Genco" or "Parent" ), for so long as Genco directly or indirectly holds at least 10% of the aggregate number of outstanding shares of the Company's common stock and Class B stock, Genco will be entitled to receive at no cost an additional number of shares of Class B stock equal to 2% of the number of common shares issued, other than shares issued under the Company's 2010 Equity Incentive Plan. As a result of the equity offerings on May 28, 2013, September 25, 2013 and November 18, 2013, Genco was issued 128,383, 276,000 and 253,000 shares of Class B stock, respectively, which represents 2% of the number of common shares issued.

As of December 31, 2014 and 2013, Genco's ownership of 6,356,471 shares of the Company's Class B stock represented an 10.85% and 11.05% ownership interest in the Company, respectively, and 64.60% and 65.08% of the aggregate voting power of the Company's outstanding shares of voting stock, respectively.

On April 21, 2014, Genco and certain of its direct and indirect subsidiaries (the "Debtors" ) filed petitions for Chapter 11 in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court" ). On April 24, 2014, the

Bankruptcy Court approved the form of combined notice of commencement of the Chapter 11 Cases, the combined hearing on the Debtors solicitation procedures, confirmation of the Debtors prepackaged plan of reorganization (the Prepack Plan ) and the adequacy of the related disclosure statement. Subsequently, on July 2, 2014, the Bankruptcy Court entered an order (the Confirmation Order ) which confirmed the First Amended Prepackaged Plan of Reorganization of the Debtors Pursuant to Chapter 11 of the Bankruptcy Code (the Plan ). On July 9, 2014, the Debtors completed their financial restructuring and emerged from Chapter 11 through a series of transactions contemplated by the Plan, and the Plan became effective pursuant to its terms. Refer to Note 7 Debt for a discussion of the potential effects of a change of control and the Genco bankruptcy case under the covenants of the Company s credit facilities and the Management Agreement.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ), which includes the accounts of Baltic Trading and its wholly-owned ship-owning subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

### Basis of reporting

The consolidated financial statements have been prepared on a going concern basis. However, if the Company does not take remedial measures that are available, it is probable that internally generated cash flow and cash on hand will not be sufficient to meet the minimum cash requirements under its credit facilities for the next twelve months. To address compliance, the Company may seek waivers or modifications to our credit facilities from the lenders, refinance our indebtedness or raise additional capital through equity or debt offerings or the sale of assets (including vessels). The Company believes that one or more or combination of these remedies occurring are probable. The Company s current and future liquidity will greatly depend upon operating results. The Company s ability to continue to meet its liquidity needs is subject to and will be affected by cash utilized in operations, the economic or business environment in which it operates, weakness in shipping industry conditions, the financial condition of the Company s customers, vendors and service providers, the Company s ability to comply with the financial and other covenants of its indebtedness, and other factors.

### Business geographics

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

### Vessel acquisitions

When the Company enters into an acquisition transaction, it determines whether the acquisition transaction was the purchase of an asset or a business based on the facts and circumstances of the transaction. As is customary in the shipping industry, the purchase of a vessel is normally

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treated as a purchase of an asset as the historical operating data for the vessel is not reviewed nor is material to the Company's decision to make such acquisition.

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

### Segment reporting

Each of the Company's vessels serve the same type of customer, have similar operations and maintenance requirements, operate in the same regulatory environment, and are subject to similar economic characteristics. Based on this, the Company has determined that it operates in one reportable segment, the transportation of various drybulk cargoes with its fleet of vessels.

### Revenue and voyage expense recognition

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

In spot market-related time charters, short-term time charters and pool agreements, operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel and specified voyage costs such as fuel and port charges are paid by the charterer. There are certain other non-specified voyage expenses such as commissions, which are typically borne by the Company. At the inception of a time charter, the Company records the difference between the cost of bunker fuel delivered by the terminating charterer and the bunker fuel sold to the new charterer as a gain or loss within voyage expenses. These differences in bunkers resulted in net losses (gains) of \$155, \$108 and (\$72) during the years ended December 31, 2014, 2013 and 2012, respectively. Additionally, voyage expenses include the cost of bunkers consumed during short-term time charterers pursuant to the terms of the time charter agreements.

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

At December 31, 2014, five of the Company's vessels were in vessel pools. At December 31, 2014, the Baltic Cougar, Baltic Jaguar and Baltic Panther were in the Bulkhandling Handymax A/S Pool, a vessel pool trading in the spot market for which Torvald Klaveness acts as pool manager. The Baltic Leopard was in the Bulkhandling Handymax A/S Pool from May until November 2014. The Baltic Fox and the Baltic Hare entered the Clipper Logger Pool, a vessel pool trading in the spot market for which Clipper Group acts as the pool manager, during September 2013. Vessel pools such as these provide cost-effective commercial management activities for a group of similar class vessels. Pool arrangements provide the benefits of a large-scale operation, and chartering efficiencies that might not be available to smaller fleets. Under pool arrangements, the vessels operate under a time charter agreement whereby the cost of bunkers and port expenses are borne by the pool and operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. Since members of a pool share in the revenue less voyage expenses generated by the entire group of vessels in the pool, and the pool operates in the spot market, the revenue earned by these vessels is subject to the fluctuations of the spot market. The Company recognized revenue from these pool arrangements based on its portion of the net distributions reported by the relevant pool, which represents the net voyage revenue of the pool after voyage expenses and pool manager fees.

### Due from charterers, net

Due from charterers, net includes accounts receivable from charters net of the provision for doubtful accounts. At each balance sheet date, the Company records the provision based on a review of all outstanding charter receivables. Included in the standard time charter contracts with the Company's customers are certain performance parameters which, if not met, can result in customer claims. As of December 31, 2014 and 2013, the Company had a reserve of \$42 and \$104, respectively, against the due from charterers balance and an additional accrual of \$70 and \$231, respectively, in deferred revenue, each of which is primarily associated with estimated customer claims against the Company including vessel performance issues under time charter agreements.

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

### Inventories

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

### Due to Parent

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Due to Parent consists of amounts due to Genco, which consists primarily of fees payable to the Parent pursuant to the Management Agreement between the Company and Genco for commercial, technical, administrative and strategic services necessary to support the Company's business.

### Vessel operating expenses

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

### Vessels, net

Vessels, net is stated at cost less accumulated depreciation. Included in vessel costs are acquisition costs directly attributable to the acquisition of a vessel and expenditures made to prepare the vessel for its initial voyage. The Company also capitalizes interest costs for a vessel under construction as a cost which is directly attributable to the acquisition of a vessel. Vessels are depreciated on a straight-line basis over their estimated useful lives, determined to be 25 years from the date of initial delivery from the shipyard. Depreciation expense for vessels for the years ended December 31, 2014, 2013 and 2012 was \$20,489, \$15,553 and \$14,798, respectively.

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Depreciation expense is calculated based on cost less the estimated residual scrap value. The costs of significant replacements, renewals and betterments are capitalized and depreciated over the shorter of the vessel's remaining estimated useful life or the estimated life of the renewal or betterment. Undepreciated cost of any asset component being replaced that was acquired after the initial vessel purchase is written off as a component of vessel operating expense. Expenditures for routine maintenance and repairs are expensed as incurred. Scrap value is estimated by the Company by taking the cost of steel times the weight of the ship noted in lightweight tons (lwt). Effective July 9, 2014, upon Genco's emergence from bankruptcy, the Company increased the estimated scrap value of the vessels from \$245 per lwt to \$310 per lwt prospectively based on the 15-year average scrap value of steel. The change in the estimated scrap value will result in a decrease in depreciation expense over the remaining life of the vessel assets. During the year ended December 31, 2014, the increase in the estimated scrap value resulted in a decrease in depreciation expense of \$278. The decrease in depreciation expense did not result in a change to the basic and diluted net loss per share during the year ended December 31, 2014.

### Fixed assets, net

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

Description	Useful lives
Computer equipment	3 years
Vessel equipment	2-15 years

### Deferred drydocking costs

The Company's vessels are required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are operating. The Company defers the costs associated with the drydockings as they occur and amortizes these costs on a straight-line basis over the period between drydockings. Costs deferred as part of a vessel's drydocking include actual costs incurred at the drydocking yard; cost of travel, lodging and subsistence of personnel sent to the drydocking site to supervise; and the cost of hiring a third party to oversee the drydocking. If the vessel is drydocked earlier than originally anticipated, any remaining deferred drydock costs that have not been amortized are expensed at the end of the next drydock. Amortization expense for drydocking for the years ended December 31, 2014, 2013 and 2012 was \$505, \$0 and \$0, respectively. All other costs incurred during drydocking are expensed as incurred.

### Impairment of long-lived assets

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



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For the years ended December 31, 2014, 2013 and 2012, no impairment charges were recorded on the Company's long-lived assets.

### Deferred financing costs

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

### Cash and cash equivalents

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

Income taxes

The Company is incorporated in the Marshall Islands. Pursuant to the income tax laws of the Marshall Islands, the Company is not subject to Marshall Islands income tax. During the years ended December 31, 2014, 2013 and 2012, the Company had United States operations which resulted in United States source income of \$2,830, \$1,664 and \$1,379, respectively. The Company's estimated United States income tax expense for the years ended December 31, 2014, 2013 and 2012 was \$57, \$34 and \$28, respectively.

Deferred revenue

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

Nonvested stock awards

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

Accounting estimates

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

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk are amounts due from charterers, cash and cash equivalents and deposits on vessels. With respect to amounts due from charterers, the Company attempts to limit its credit risk by performing ongoing credit evaluations and, when deemed necessary, requires letters of credit, guarantees or collateral. The Company earned 100% of its revenues from 12 customers in 2014, 11 customers in 2013 and 11 customers in 2012. Management does not believe significant risk exists in connection with the Company's concentrations of credit at December 31, 2014 and 2013.

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For the year ended December 31, 2014, there were four customers that individually accounted for more than 10% of revenues, Cargill International S.A. and its subsidiaries ( Cargill ), Swissmarine Services S.A. and its subsidiaries ( Swissmarine ), the Bulkhandling Handymax A/S Pool for which Torvald Klaveness acts as pool manager and the Clipper Logger Pool, for which Clipper Group acts as the pool manager, which represented 27.29%, 23.52%, 17.20% and 13.21% of revenues, respectively. For the year ended December 31, 2013, there were three customers that individually accounted for more than 10% of revenues, Cargill, Resource Marine PTE Ltd. (part of the Macquarie group of companies) and Swissmarine, which represented 40.17%, 19.15% and 17.80% of revenues, respectively. For the year ended December 31, 2012, there were four customers that individually accounted for more than 10% of revenues, Cargill, Klaveness Chartering, Resource Marine PTE Ltd. and Swissmarine, which represented 44.41%, 11.79%, 13.90% and 10.04% of revenues, respectively.

At December 31, 2014 and 2013, deposits on vessels consist primarily of progress payments due to the shipyard as per the newbuilding contracts with Yangfan Group Co., Ltd. These payments are not held in an escrow account; however, the Company has a refund guarantee with the Bank of China in the case that Yangfan Group Co., Ltd. does not perform as required by the newbuilding contracts. Refer to Note 4 Vessel Acquisitions for further information.

At December 31, 2014 and 2013, the Company maintains all of its cash and cash equivalents with one financial institution. The Company's cash and cash equivalent balance is not covered by insurance in the event of default by this financial institution.

### Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ( ASU 2014-09 ), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are

required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2016, and interim periods therein, and shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

#### Fair value of financial instruments

The estimated fair values of the Company's financial instruments, such as amounts due to / due from charterers, accounts payable and long-term debt, approximate their individual carrying amounts as of December 31, 2014 and 2013 due to their short-term maturity or the variable-rate nature of the respective borrowings under the credit facilities. See Note 8 - Fair Value of Financial Instruments for additional disclosure on the fair value of debt.

### 3 CASH FLOW INFORMATION

For the year ended December 31, 2014, the Company had non-cash investing activities not included in the Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses of \$407 for the Purchase of vessels, including deposits. For the year ended December 31, 2014, the Company had non-cash financing activities not included in the Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses of \$2,190 for the Payment of deferred financing costs. For the year ended December 31, 2014, the Company also had non-cash investing activities not included in the Consolidated Statement of Cash Flows for items included in Due to Parent of \$3 for the Purchase of vessels, including deposits. Lastly, for the year ended December 31, 2014, the Company had non-cash investing activities not included in the Consolidated Statement of Cash Flows for items included in Prepaid expenses and other current assets consisting of \$7 associated with the Purchase of vessels, including deposits.

For the year ended December 31, 2013, the Company had non-cash investing activities not included in the Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses of \$618 for the Purchase of vessels, including deposits. For the year ended December 31, 2013, the Company had non-cash financing activities not included in the Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses of \$78 for the Payment of deferred financing costs and \$111 for the Payment of common stock issuance costs. For the year ended December 31, 2013, the Company also had non-cash investing activities not included in the Consolidated Statement of Cash Flows for items included in Due to Parent of \$64 for the Purchase of fixed assets.

For the year ended December 31, 2012 the Company did not have any non-cash investing or financing activities.

During the year ended December 31, 2014, the Company made a reclassification of \$507 from Deposits on vessels to Vessels, net of accumulated depreciation, due to the completion of the purchase of Baltic Hornet. No such reclassifications were made during the years ended December 31, 2013 and 2012.

During the year ended December 31, 2014, the Company made a reclassification of \$675 from fixed assets to vessel assets for items that should be capitalized and depreciated over the remaining life of the respective vessels.

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During the years ended December 31, 2014, 2013 and 2012, cash paid for interest, net of amount capitalized, was \$5,013, \$3,773 and \$3,798, respectively.

During the years ended December 31, 2014, 2013 and 2012, cash paid for estimated income taxes was \$75, \$32 and \$22, respectively.

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

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

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

stock was \$750.

All of the aforementioned grants of restricted stock were made under the Baltic Trading Limited 2010 Equity Incentive Plan, as amended.

#### 4 VESSEL ACQUISITIONS

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

On October 31, 2013, the Company entered into agreements to purchase two Capesize drybulk vessels from affiliates of SK Shipping Co. Ltd. for an aggregate purchase price of \$103,000. The Baltic Lion, a 2012-built Capesize vessel, was delivered on December 27, 2013, and the Baltic Tiger, a 2011-built Capesize vessel, was delivered on November 26, 2013. The Company financed the vessel acquisitions with cash on hand and borrowings under its \$44 Million Term Loan Facility.

On November 13, 2013, the Company entered into agreements to purchase up to four 64,000 dwt Ultramax newbuilding drybulk vessels from Yangfan Group Co., Ltd. for a purchase price of \$28,000 per vessel, or up to \$112,000 in the aggregate. The Company agreed to purchase two such vessels, to be named the Baltic Hornet and Baltic Wasp, and obtained an option to purchase up to two additional such vessels for the same purchase price, which the Company exercised on January 8, 2014. These vessels are to be named the Baltic Mantis and the Baltic Scorpion. The purchases are subject to completion of customary additional documentation and closing conditions. The first of these vessels, the Baltic Hornet, was delivered on October 29, 2014. The Baltic Wasp was delivered on January 2, 2015. The Baltic Scorpion and the Baltic Mantis are expected to be delivered to the Company during the second and third quarters of 2015, respectively. As of December 31, 2014 and 2013, deposits on vessels were \$23,733 and \$1,013, respectively, related to these newbuilding vessels. The Company intends to use a combination of cash on hand, future cash flow from operations as well as debt or equity financing, including the 2014 Term Loan Facilities and \$148 Million Credit Facility as described in Note 7 Debt, to fully finance the acquisition of the four Ultramax newbuilding drybulk vessels. On December 30, 2014, the Company paid \$19,645 for the final payment due for the Baltic Wasp which has been classified as noncurrent Restricted Cash in the Consolidated Balance Sheet as of December 31, 2014 as the payment was held in an escrow account and not released to the seller until the vessel was delivered to the Company on January 2, 2015.

Capitalized interest expense associated with newbuilding contracts for the years ended December 31, 2014, 2013 and 2012 was \$695, \$0 and \$0, respectively.

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

#### 5 NET LOSS PER COMMON AND CLASS B SHARE

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The computation of net loss per share of common stock and Class B shares is in accordance with ASC 260 Earnings Per Share, using the two-class method. Under these provisions, basic net loss per share is computed using the weighted-average number of common shares and Class B shares outstanding during the year, except that it does not include nonvested stock awards subject to repurchase or cancellation. Diluted net loss per share is computed using the weighted-average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of nonvested stock awards (see Note 14 Nonvested Stock Awards) for the common shares, for which the assumed proceeds upon vesting are deemed to be the amount of compensation cost attributable to future services and not yet recognized using the treasury stock method, to the extent dilutive. Of the 1,941,844 nonvested shares outstanding at December 31, 2014 (see Note 14 Nonvested Stock Awards), all are anti-dilutive. The computation of the diluted net loss per share of common stock assumes the conversion of Class B shares, while the diluted net loss per share of Class B stock does not assume the conversion of those shares.

Under the Company's Amended and Restated Articles of Incorporation, the rights, including dividend rights, of the holders of the Company's common and Class B shares are identical, except with respect to voting. Further, the Company's Amended and Restated Articles of Incorporation and Marshall Islands law embody safeguards against modifying the identical rights of the Company's common stock and Class B stock to dividends. Specifically, Marshall Islands law provides that amendments to the Company's Amended and Restated Articles of Incorporation which would have the effect of adversely altering the powers, preferences, or special rights of a given class of stock (in this case the right of the Company's common stock to receive an equal dividend to any declared on the Company's Class B stock) must be approved by the class of stock adversely affected by the proposed amendment. As a result, and in accordance with ASC 260 Earnings Per Share, the undistributed earnings are allocated based on

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the contractual participation rights of the common and Class B shares as if the earnings for the year had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. Further, as the conversion of Class B shares is assumed in the computation of the diluted net income per share of common stock, the undistributed earnings are equal to net income for that computation.

The following table sets forth the computation of basic and diluted net loss per share of common stock and Class B stock:

	For the Year Ended December 31, 2014	
	Common	Class B
Basic net loss per share:		
Numerator:		
Allocation of loss	\$ (17,980)	\$ (2,287)
Denominator:		
Weighted-average shares outstanding, basic	49,967,443	6,356,471
Basic net loss per share	\$ (0.36)	\$ (0.36)
Diluted net loss per share:		
Numerator:		
Allocation of loss	\$ (17,980)	\$ (2,287)
Reallocation of undistributed loss as a result of conversion of Class B to common shares	(2,669)	
Reallocation of dividends paid as a result of conversion of Class B to common shares	382	
Allocation of loss	\$ (20,267)	\$ (2,287)
Denominator:		
Weighted-average shares outstanding used in basic computation	49,967,443	6,356,471
Add:		
Conversion of Class B to common shares	6,356,471	
Weighted-average shares outstanding, diluted	56,323,914	6,356,471
Diluted net loss per share	\$ (0.36)	\$ (0.36)

	For the Year Ended December 31, 2013	
	Common	Class B
Basic net loss per share:		
Numerator:		
Allocation of loss	\$ (9,280)	\$ (2,112)
Denominator:		
Weighted-average shares outstanding, basic	25,840,345	5,880,369
Basic net loss per share	\$ (0.36)	\$ (0.36)
Diluted net loss per share:		
Numerator:		
Allocation of loss	\$ (9,280)	\$ (2,112)
Reallocation of undistributed loss as a result of conversion of Class B to common shares	(2,411)	



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Reallocation of dividends paid as a result of conversion of Class B to common shares		299		
Allocation of loss	\$	(11,392)	\$	(2,112)
Denominator:				
Weighted-average shares outstanding used in basic computation		25,840,345		5,880,369
Add:				
Conversion of Class B to common shares		5,880,369		
Weighted-average shares outstanding, diluted		31,720,714		5,880,369
Diluted net loss per share	\$	(0.36)	\$	(0.36)

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	Year Ended December 31, 2012	
	Common	Class B
Basic net loss per share:		
Numerator:		
Allocation of loss	\$ (12,848)	\$ (4,422)
Denominator:		
Weighted-average shares outstanding, basic	16,562,758	5,699,088
Basic net loss per share	\$ (0.78)	\$ (0.78)
Diluted net loss per share:		
Numerator:		
Allocation of loss	\$ (12,848)	\$ (4,422)
Reallocation of undistributed loss as a result of conversion of Class B to common shares	(5,790)	
Reallocation of dividends paid as a result of conversion of Class B to common shares	1,368	
Allocation of loss	\$ (17,270)	\$ (4,422)
Denominator:		
Weighted-average shares outstanding used in basic computation	16,562,758	5,699,088
Add:		
Conversion of Class B to common shares	5,699,088	
Weighted-average shares outstanding, diluted	22,261,846	5,699,088
Diluted net loss per share	\$ (0.78)	\$ (0.78)

6 RELATED PARTY TRANSACTIONS

The following include related party transactions not disclosed elsewhere in these consolidated financial statements. Due to Parent, Voyage expenses to Parent and Management fees to Parent have been disclosed above in these consolidated financial statements.

During the years ended December 31, 2014, 2013 and 2012, the Company incurred legal services aggregating \$13, \$48 and \$0, respectively, from Constantine Georgiopoulos, the father of Peter C. Georgiopoulos, Chairman of the Board. At December 31, 2014 and 2013, \$8 and \$25, respectively, was outstanding to Constantine Georgiopoulos.

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During 2010, the Company entered into an agreement with Aegean Marine Petroleum Network, Inc. ( "Aegean" ) to purchase lubricating oils for certain vessels in the Company's fleet. Peter C. Georgiopoulos, Chairman of the Board of the Company, is also the Chairman of the Board of Aegean. During the years ended December 31, 2014, 2013 and 2012, Aegean supplied lubricating oils to the Company's vessels aggregating \$950, \$519 and \$564, respectively. At December 31, 2014 and 2013, \$113 and \$51 remained outstanding to Aegean, respectively.

During the years ended December 31, 2014, 2013 and 2012, the Company incurred other expenditures totaling \$0, \$0 and \$1, respectively, reimbursable to General Maritime Corporation ( "GMC" ), where the Company's Chairman, Peter C. Georgiopoulos, also serves as Chairman of the Board of GMC. As of December 31, 2014 and 2013, the amount due to GMC from the Company was \$0.

The Company receives internal audit services from employees of Genco, the Company's Parent. For the years ended December 31, 2014, 2013 and 2012, the Company incurred internal audit service fees of \$54, \$42 and \$52, respectively, which are reimbursable to Genco pursuant to the Management Agreement (Refer to Note 16 Commitments and Contingencies for further information regarding the Management Agreement). At December 31, 2014 and 2013, the amount due to Genco from the Company was \$23 and \$18, respectively, for such services and is included in Due to Parent.

During the years ended December 31, 2014, 2013 and 2012, Genco, the Company's Parent, incurred costs of \$284, \$403 and \$24, respectively, on the Company's behalf to be reimbursed to Genco pursuant to the Management Agreement. At December 31, 2014, the amount due from Genco to the Company was \$19 and is included in Due to Parent. At December 31, 2013, the amount due to Genco from the Company was \$75 and is included in Due to Parent.

Genco also provides the Company with commercial, technical, administrative and strategic services pursuant to the Company's Management Agreement with Genco. For the years ended December 31, 2014, 2013 and 2012, the Company incurred costs of \$4,465, \$4,571 and \$2,817, respectively, pursuant to the Management Agreement with Genco. At December 31, 2014, the amount due to Genco of \$143 consisted of commercial service fees and is included in Due to Parent. At December 31, 2013, the amount due to Genco of \$105 consisted of commercial service fees and is included in Due to Parent.

### 7 DEBT

Long-term debt consists of the following:

	December 31, 2014	December 31, 2013
2010 Credit Facility	\$ 102,250	\$ 102,250
\$22 Million Term Loan Facility	20,125	21,625
\$44 Million Term Loan Facility	41,250	44,000
2014 Term Loan Facilities	33,150	
Less: Current portion	(6,331)	(4,250)
Long-term debt	\$ 190,444	\$ 163,625

2010 Credit Facility

On April 16, 2010, the Company entered into a \$100,000 senior secured revolving credit facility with Nordea Bank Finland plc, acting through its New York branch (as amended, the 2010 Credit Facility ). The Company entered into an amendment to this facility effective November 30, 2010. Among other things, this amendment increased the commitment amount of the 2010 Credit Facility from \$100,000 to \$150,000. An additional amendment to the 2010 Credit Facility was entered into by the Company effective August 29, 2013 (the August 2013 Amendment ). The August 2013 Amendment implemented the following modifications to the 2010 Credit Facility:

- The requirement that certain additional vessels acquired by the Company be mortgaged as collateral under the 2010 Credit Facility was eliminated.
- Restrictions on the incurrence of indebtedness by the Company and its subsidiaries were amended to apply only to those subsidiaries acting as guarantors under the 2010 Credit Facility.
- The total commitment under this facility was reduced to \$110,000 and will be further reduced in three consecutive semi-annual reductions of \$5,000 commencing on May 30, 2015. On the maturity date, November 30, 2016, the total commitment will reduce to zero and all borrowings must be paid in full.

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- Borrowings bear interest at an applicable margin over LIBOR of 3.00% per annum if the ratio of the maximum facility amount of the aggregate appraised value of vessels mortgaged under the facility is 55% or less, measured quarterly; otherwise, the applicable margin is 3.35% per annum.
- Financial covenants corresponding to the liquidity and leverage under the \$22 Million Term Loan Facility (as defined below) have been incorporated into the 2010 Credit Facility.

A commitment fee of 1.25% per annum is payable on the unused daily portion of the 2010 Credit Facility, which began accruing on March 18, 2010 under the terms of the commitment letter entered into on February 25, 2010. In connection with the August 2013 Amendment, the Company paid an upfront fee of \$275. Of the total original facility amount of \$150,000, \$25,000 is available for working capital purposes. On May 9, 2013, the Company drew down \$1,000 for working capital purposes.

Borrowings under the 2010 Credit Facility are secured by liens on the Company's initial vessels and other related assets. Borrowings under the facility are subject to the delivery of security documents with respect to the Company's initial vessels. The Company's subsidiaries owning the initial vessels act as guarantors under the 2010 Credit Facility.

All amounts owing under the 2010 Credit Facility are also secured by the following:

- cross-collateralized first priority mortgages of each of the Company's initial vessels;
- an assignment of any and all earnings of the Company's initial vessels; and
- an assignment of all insurance on the mortgaged vessels.

The 2010 Credit Facility requires the Company to comply with a number of covenants, including financial covenants related to liquidity, consolidated net worth, and collateral maintenance; delivery of quarterly and annual financial statements and annual projections; maintaining adequate insurances; compliance with laws (including environmental); compliance with ERISA; maintenance of flag and class of the Company's initial vessels; restrictions on consolidations, mergers or sales of assets; restrictions on changes in the Manager of the Company's initial vessels (or acceptable replacement vessels); limitations on changes to the Management Agreement between the Company and Genco; limitations on liens; limitations on additional indebtedness; restrictions on paying dividends; restrictions on transactions with affiliates; and other customary covenants.

The amended 2010 Credit Facility includes the following financial covenants which apply to the Company and its subsidiaries on a consolidated basis and are measured at the end of each fiscal quarter:

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- Cash and cash equivalents plus the undrawn amount available for working capital under the facility must not be less than \$5,000 during the first year following the amendment, or until November 30, 2011. Beginning December 1, 2011, cash and cash equivalents plus the undrawn amount available for working capital under the facility must not be less than \$750 per vessel for all vessels in the Company's fleet.
- Consolidated net worth must not be less than (i) \$232,796 plus (ii) 50% of the value of any subsequent primary equity offerings of the Company.
- The aggregate fair market value of the mortgaged vessels must at all times be at least 140% of the aggregate outstanding principal amount under the 2010 Credit Facility.

As of December 31, 2014, \$7,750 remained available under the 2010 Credit Facility as the total commitment was reduced to \$110,000 pursuant to the August 2013 Amendment. The total available working capital borrowings of \$25,000 are subject to the total remaining availability under the 2010 Credit Facility; therefore, only \$7,750 is available for working capital purposes as of December 31, 2014.

As of December 31, 2014, the Company believes it is in compliance with all of the financial covenants under its 2010 Credit Facility, as amended.

On December 31, 2014, the Company entered into the \$148 Million Credit Facility, refer to \$148 Million Credit Facility section below. Borrowings under the \$148 Million Credit Facility will be used to refinance the Company's indebtedness under the 2010 Credit Facility. On January 7, 2015, the Company repaid the \$102,250 outstanding under the 2010 Credit Facility with borrowings from the \$148 Million Credit Facility. The Company utilized the repayment terms under the \$148 Million Credit Facility

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in order to determine the repayment dates of the outstanding debt as of December 31, 2014.

The following table sets forth the repayment of the outstanding debt of \$102,250 at December 31, 2014 under the 2010 Credit Facility utilizing the payment terms under the \$148 Million Credit Facility:

Year Ending December 31,	Total
2015	\$
2016	4,378
2017	9,787
2018	9,787
2019	78,298
<b>Total debt</b>	<b>\$ 102,250</b>

### \$22 Million Term Loan Facility

On August 30, 2013, Baltic Hare Limited and Baltic Fox Limited, wholly-owned subsidiaries of the Company, entered into a secured loan agreement with DVB Bank SE for a term loan facility of up to \$22,000 (the "\$22 Million Term Loan Facility"). Amounts borrowed and repaid under the \$22 Million Term Loan Facility may not be reborrowed. This facility has a maturity date of the sixth anniversary of the drawdown date for borrowings for the second vessel to be purchased, or September 4, 2019. Borrowings under the \$22 Million Term Loan Facility bear interest at the three-month LIBOR rate plus an applicable margin of 3.35% per annum. A commitment fee of 1.00% per annum is payable on the unused daily portion of the credit facility, which began accruing on August 30, 2013 and ended on September 4, 2013, the date which the entire \$22,000 was borrowed. Borrowings are to be repaid in 23 quarterly installments of \$375 each commencing three months after the last vessel delivery date, or December 4, 2013, and a final payment of \$13,375 due on the maturity date.

Borrowings under the \$22 Million Term Loan Facility are secured by liens on the Company's vessels purchased with borrowings under the facility, namely the Baltic Fox and the Baltic Hare, and other related assets. Under a Guarantee and Indemnity entered into concurrently with the \$22 Million Term Loan Facility, the Company agreed to guarantee the obligations of its subsidiaries under the \$22 Million Term Loan Facility.

The \$22 Million Term Loan Facility also requires the Company, Baltic Hare Limited and Baltic Fox Limited to comply with a number of covenants, including financial covenants related to liquidity, leverage, consolidated net worth, and collateral maintenance; delivery of quarterly and annual financial statements and annual projections; maintaining adequate insurances; compliance with laws (including environmental); maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; limitations on changes in the manager of the Company's vessels; limitations on changes to the Management Agreement with Genco; limitations on liens and additional indebtedness; prohibitions on paying dividends if an event of default has occurred or would occur as a result of payment of a dividend; restrictions on transactions with affiliates; and other customary covenants. The liquidity covenants under the facility require Baltic Hare Limited and Baltic Fox Limited to maintain \$500 each in their cash accounts and the Company to maintain \$750 for each vessel in its fleet in cash or cash equivalents plus undrawn working capital lines of credit. The facility's leverage covenant requires that the ratio of Baltic Trading's total financial indebtedness to the value of its total assets as adjusted based on vessel appraisals not exceed 70%. The facility also requires that the Company maintain a minimum consolidated net worth of \$232,796 plus fifty percent of the value of the Company's equity offerings completed on or after May 28, 2013. The facility's collateral maintenance covenant requires that the minimum fair market value of vessels mortgaged under the facility be 130% of the amount outstanding under the facility through August 30, 2016 and 135% of such amount thereafter.

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On September 4, 2013, Baltic Hare Limited and Baltic Fox Limited made drawdowns of \$10,730 and \$11,270 for the Baltic Hare and the Baltic Fox, respectively. As of December 31, 2014, the Company has utilized its maximum borrowing capacity of \$22,000 and there was no further availability. At December 31, 2014 and 2013, the total outstanding debt balance was \$20,125 and \$21,625, respectively, as required repayments began on December 4, 2013.

As of December 31, 2014, the Company believes it is in compliance with all of the financial covenants under the \$22 Million Term Loan Facility.

The following table sets forth the repayment of the outstanding debt of \$20,125 at December 31, 2014 under the \$22 Million Term Loan Facility:

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Year Ending December 31,	Total
2015	\$ 1,500
2016	1,500
2017	1,500
2018	1,500
2019	14,125
<b>Total debt</b>	<b>\$ 20,125</b>

### \$44 Million Term Loan Facility

On December 3, 2013, Baltic Tiger Limited and Baltic Lion Limited, wholly-owned subsidiaries of the Company, entered into a secured loan agreement with DVB Bank SE for a term loan facility of up to \$44,000 (the \$44 Million Term Loan Facility). Amounts borrowed and repaid under the \$44 Million Term Loan Facility may not be reborrowed. The \$44 Million Term Loan Facility has a maturity date of the sixth anniversary of the drawdown date for borrowings for the second vessel to be purchased, or December 23, 2019. Borrowings under the \$44 Million Term Loan Facility bear interest at the three-month LIBOR rate plus an applicable margin of 3.35% per annum. A commitment fee of 0.75% per annum is payable on the unused daily portion of the credit facility, which began accruing on December 3, 2013 and ended on December 23, 2013, the date which the entire \$44,000 was borrowed. Borrowings are to be repaid in 23 quarterly installments of \$688 each commencing three months after the last drawdown date, or March 24, 2014, and a final payment of \$28,188 due on the maturity date.

Borrowings under the \$44 Million Term Loan Facility are to be secured by liens on the Company's vessels to be financed or refinanced with borrowings under the facility, namely the Baltic Tiger and the Baltic Lion, and other related assets. Upon the prepayment of \$18,000 plus any additional amounts necessary to maintain compliance with the collateral maintenance covenant, the Company may have the lien on the Baltic Tiger released. Under a Guarantee and Indemnity entered into concurrently with the \$44 Million Term Loan Facility, the Company agreed to guarantee the obligations of its subsidiaries under the \$44 Million Term Loan Facility.

The \$44 Million Term Loan Facility also requires the Company, Baltic Tiger Limited and Baltic Lion Limited to comply with a number of covenants, including financial covenants related to liquidity, leverage, consolidated net worth, and collateral maintenance; delivery of quarterly and annual financial statements and annual projections; maintaining adequate insurances; compliance with laws (including environmental); maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; limitations on changes in the manager of the Company's vessels; limitations on changes to the Management Agreement with Genco; limitations on liens and additional indebtedness; prohibitions on paying dividends if an event of default has occurred or would occur as a result of payment of a dividend; restrictions on transactions with affiliates; and other customary covenants. The liquidity covenants under the facility require Baltic Tiger Limited and Baltic Lion Limited to maintain \$1,000 each in their cash accounts and the Company to maintain \$750 for each vessel in its fleet in cash or cash equivalents plus undrawn working capital lines of credit. The facility's leverage covenant requires that the ratio of the Company's total financial indebtedness to the value of its total assets as adjusted based on vessel appraisals not exceed 70%. The facility also requires that the Company maintain a minimum consolidated net worth of \$232,796 plus fifty percent of the value of any primary equity offerings of the Company after April 30, 2013. The facility's collateral maintenance covenant requires that the minimum fair market value of vessels mortgaged under the facility be 125% of the amount outstanding under the facility.

On December 23, 2013, Baltic Tiger Limited and Baltic Lion Limited made drawdowns of \$21,400 and \$22,600 for the Baltic Tiger and Baltic Lion, respectively. As of December 31, 2014, the Company has utilized its maximum borrowing capacity of \$44,000 and there was no further availability. At December 31, 2014 and 2013, the total outstanding debt balance was \$41,250 and \$44,000, respectively, as required repayments began on March 31, 2014.

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As of December 31, 2014, the Company believes it is in compliance with all of the financial covenants under the \$44 Million Term Loan Facility.

The following table sets forth the repayment of the outstanding debt of \$41,250 at December 31, 2014 under the \$44 Million Term Loan Facility:

<b>Year Ending December 31,</b>		<b>Total</b>
2015	\$	2,750
2016		2,750
2017		2,750
2018		2,750
2019		30,250
<b>Total debt</b>	<b>\$</b>	<b>41,250</b>

2014 Term Loan Facilities

On October 8, 2014, the Company and its wholly-owned subsidiaries, Baltic Hornet Limited and Baltic Wasp Limited, each entered into a loan agreement and related documentation for a credit facility in a principal amount of up to \$16,800 with ABN AMRO Capital USA LLC and its affiliates (the 2014 Term Loan Facilities ) to partially finance the newbuilding Ultramax vessel that each subsidiary is to acquire, namely the Baltic Hornet and Baltic Wasp, respectively. Amounts borrowed under the 2014 Term Loan Facilities may not be reborrowed. The 2014 Term Loan Facilities have a ten-year term, and the facility amount is to be the lowest of 60% of the delivered cost per vessel, \$16,800 per vessel, and 60% of the fair market value of each vessel at delivery. The 2014 Term Loan Facilities are insured by the China Export & Credit Insurance Corporation (Sinasure) in order to cover political and commercial risks for 95% of the outstanding principal plus interest, which will be recorded in deferred financing fees. Borrowings under the 2014 Term Loan Facilities bear interest at the three or six-month LIBOR rate plus an applicable margin of 2.50% per annum. Borrowings are to be repaid in 20 equal consecutive semi-annual installments of 1/24 of the facility amount plus a balloon payment of 1/6 of the facility amount at final maturity. Principal repayments will commence six months after the actual delivery date for a vessel.

Borrowings under the 2014 Term Loan Facilities are to be secured by liens on the Baltic Trading s vessels acquired with borrowings under these facilities, namely the Baltic Hornet and Baltic Wasp, and other related assets. The Company guarantees the obligations of the Baltic Hornet and Baltic Wasp under the 2014 Term Loan Facilities.

The 2014 Baltic Trading Term Loan Facilities require the Company, Baltic Hornet Limited and Baltic Wasp Limited to comply with covenants comparable to those of the \$44 Million Term Loan Facility, with the exception of the collateral maintenance covenant and minimum cash requirement for the encumbered vessels. For the 2014 Term Loan Facilities, the collateral maintenance covenant requires that the minimum fair market value of the vessel acquired be 135% of the amount outstanding under the 2014 Term Loan Facilities. Additionally, for the 2014 Term Loan Facilities, the Baltic Hornet and Baltic Wasp are required to maintain \$750 each in their cash accounts. Refer to \$44 Million Term Loan Facility section above.

On October 24, 2014, the Company drew down \$16,800 for the purchase of the Baltic Hornet, which was delivered on October 29, 2014. Additionally, on December 30, 2014, the Company drew down \$16,350 for the purchase of the Baltic Wasp, which was delivered on January 2, 2015. As of December 31, 2014, the Company has utilized its maximum borrowing capacity and there was no further availability. At December 31, 2014, the total outstanding debt balance was \$33,150.

As of December 31, 2014, the Company believes it is in compliance with all of the financial covenants under the 2014 Baltic Trading Term Loan Facilities.

The following table sets forth the repayment of the outstanding debt of \$33,150 at December 31, 2014 under the 2014 Term Loan Facilities:

Year Ending December 31,	Total
2015	\$ 2,081
2016	2,763
2017	2,763
2018	2,763

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2019		2,763
Thereafter		20,017
Total debt	\$	33,150

Baltic Trading \$148 Million Credit Facility

On December 31, 2014, the Company entered into a \$148,000 senior secured credit facility with Nordea Bank Finland plc,

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New York Branch ( Nordea ), as Administrative and Security Agent, Nordea and Skandinaviska Enskilda Banken AB (Publ) ( SEB ), as Mandated Lead Arrangers, Nordea, as Bookrunner, and the lenders (including Nordea and SEB) party thereto (the \$148 Million Credit Facility ). The \$148 Million Credit Facility is comprised of an \$115,000 revolving credit facility and \$33,000 term loan facility. Borrowings under the revolving credit facility will be used to refinance the Company's outstanding indebtedness under the 2010 Credit Facility. Amounts borrowed under the revolving credit facility of the \$148 Million Credit Facility may be re-borrowed. Borrowings under the term loan facility of the \$148 Million Credit Facility may be incurred pursuant to two single term loans in an amount of \$16,500 each that will be used to finance, in part, the purchase of two newbuilding Ultramax vessels that the Company has agreed to acquire, namely the Baltic Scorpion and Baltic Mantis. Amounts borrowed under the term loan facility of the \$148 Million Credit Facility may not be re-borrowed.

The \$148 Million Credit Facility has a maturity date of December 31, 2019. Borrowings under this facility bear interest at LIBOR plus an applicable margin of 3.00% per annum. A commitment fee of 1.2% per annum is payable on the unused daily portion of the \$148 Million Credit Facility, which began accruing on December 31, 2014. The commitment under the revolving credit facility of the \$148 Million Credit Facility is subject to equal consecutive quarterly reductions of \$2,447 each beginning June 30, 2015 through September 30, 2019. Borrowings under the term loan facility of the \$148 Million Term Loan Facility are subject to equal consecutive quarterly installment repayments commencing three months after delivery of the relevant newbuilding Ultramax vessel, each in the amount of 1/60 of the aggregate outstanding term loan. All remaining amounts outstanding under the \$148 Million Credit Facility must be repaid in full on the maturity date, December 31, 2019.

Borrowings under the \$148 Million Credit Facility are to be secured by liens on nine of the Company's existing vessels that have served as collateral under the 2010 Credit Facility, the two newbuilding Ultramax vessels noted above, and other related assets, including existing or future time charter contracts in excess of 36 months related to the foregoing vessels.

The \$148 Million Credit Facility requires the Company to comply with a number of customary covenants substantially similar to those in the 2010 Credit Facility, including financial covenants related to liquidity, leverage, consolidated net worth and collateral maintenance. Refer to the 2010 Credit Facility section above for further information.

As of December 31, 2014, \$148,000 remained available under the \$148 Million Credit Facility as there were no drawdowns during the year ended December 31, 2014.

On January 7, 2015, the Company drew down \$104,500 from the revolving credit facility of the \$148 Million Credit Facility. Using these borrowings, the Company repaid the \$102,250 outstanding under the 2010 Credit Facility.

As of December 31, 2014, the Company had not drawn down on this facility and therefore no measurement of financial covenants were required for the \$148 Million Credit Facility.

Refer to 2010 Credit Facility section above for the repayment schedule of the outstanding debt of \$102,250 as of December 31, 2014 which was refinanced with the \$148 Million Credit Facility.

### Change of Control

If Genco's ownership in the Company were to decrease to less than 10% of the aggregate number of shares of common stock and Class B Stock, the outstanding Class B Stock held by Genco would automatically convert into common stock, and the voting power held by Genco in the Company would decrease to less than 30%. This would result in a change of control as defined under the Company's 2010 Credit Facility, \$22 Million Term Loan Facility, \$44 Million Term Loan Facility, and 2014 Term Loan Facilities, and would therefore constitute an event of default. Additionally, a change of control constituting an event of default under the Company's credit facilities would also occur if any party or group other than Genco or certain other permitted holders beneficially owns more than 30% of the Company's outstanding voting or economic equity interests, which may occur if a party or group were deemed to control Genco. Refer to Note 1 - General Information for discussion of Genco's current economic status. The Prepack Plan did not result, and the Company does not expect the Prepack Plan to result, in a reduction of Genco's ownership in Baltic Trading. As of the date of this report, no change of control under either of the foregoing tests has occurred. In addition, the Company has the right to terminate the Management Agreement upon the occurrence of certain events, including a Manager Change of Control (as defined in the Management Agreement), without making a termination payment. Some of these have occurred as a result of the transactions contemplated by the Prepack Plan, including the consummation of any transaction that results in (i) any person (as such term is used in Section 13(d)(3) of the Securities Exchange Act of 1934), other than Peter Georgiopoulos or any of his affiliates, becoming the beneficial owner of 25% of Genco's voting securities or (ii) Genco's stock ceasing to be traded on the New York Stock Exchange or any other internationally recognized stock exchange. Therefore, the Company may have the right to terminate the Management Agreement, although the Company may be prevented or delayed from doing so because of the effect of applicable bankruptcy law, including the automatic stay provisions of the United States Bankruptcy Code and the provisions of the Prepack Plan and the

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Confirmation Order. The Prepack Plan did not result in any changes to the Management Agreement, and the Company's Board of Directors has not made any determination as of the date of this report regarding any action in connection with the Management Agreement in light of the foregoing events.

### Interest rates

The following table sets forth the effective interest rate associated with the interest expense for the 2010 Credit Facility, \$22 Million Term Loan Facility, \$44 Million Term Loan Facility and the 2014 Term Loan Facilities, excluding the cost associated with unused commitment fees. Additionally, it includes the range of interest rates on the debt, excluding the impact of unused commitment fees:

	2014	Year ended December 31, 2013	2012
Effective Interest rate (excluding impact of unused commitment fees)	3.33%	3.22%	3.24%
Range of Interest Rates (excluding impact of unused commitment fees)	2.73% to 3.60%	3.16% to 3.61%	3.21% to 3.30%

### 8 FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values and carrying values of the Company's financial instruments at December 31, 2014 and December 31, 2013 which are required to be disclosed at fair value, but not recorded at fair value, are as follows:

	December 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	\$ 9,929	\$ 9,929	\$ 58,193	\$ 58,193
Restricted cash	19,645	19,645		
Floating rate debt	196,775	196,775	167,875	167,875

The 2010 Credit Facility was refinanced by the \$148 Million Credit Facility, which was entered into on December 31, 2014. On January 7, 2015, the Company settled the outstanding debt under the 2010 Credit Facility with proceeds from the \$148 Million Credit Facility. Therefore, management believes the floating rate debt outstanding under the 2010 Credit Facility approximates its fair value as of December 31, 2014. The fair value of floating rate debt under the \$22 Million Term Loan Facility and the \$44 Million Term Loan Facility is based on rates that the Company has recently obtained upon the effective dates of these facilities on August 30, 2013 and December 3, 2013, respectively. Lastly, the fair value of the floating rate debt under the 2014 Term Loan Facilities is based on rates that the Company recently obtained upon the effective date of the facilities on October 8, 2014. Refer to Note 7 – Debt for further information. Additionally, the Company considers its creditworthiness in determining the fair value of the floating rate debt under our credit facilities. The carrying value approximates the fair market value for these floating rate loans. The carrying amounts of the Company's other financial instruments at December 31, 2014 and 2013 (principally Due from charterers and Accounts payable and accrued expenses) approximate fair values because of the relatively short maturity of these instruments.

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ASC Subtopic 820-10, Fair Value Measurements & Disclosures ( ASC 820-10 ), applies to all assets and liabilities that are being measured and reported on a fair value basis. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1 Valuations based on quoted prices in active markets for identical instruments that the Company is able to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these instruments does not entail a significant degree of judgment.
- Level 2 Valuations based on quoted prices in active markets for instruments that are similar, or quoted prices in markets that are not active for identical or similar instruments, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Cash and cash equivalents and restricted cash are considered Level 1 items as they represent liquid assets with short-term



maturities. Floating rate debt is considered to be a Level 2 item as the Company considers the estimate of rates it could obtain for similar debt. The Company did not have any Level 3 financial assets or liabilities during the years ended December 31, 2014 and 2013.

#### 9 PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2014	December 31, 2013
Lubricant inventory, fuel oil and diesel oil inventory and other stores	\$ 2,530	\$ 2,027
Prepaid items	1,068	1,117
Insurance receivable	217	70
Other	1,691	871
Total	\$ 5,506	\$ 4,085

#### 10 DEFERRED FINANCING COSTS

Deferred financing costs include fees, commissions and legal expenses associated with securing loan facilities and amending existing loan facilities. These costs are amortized over the life of the related debt and are recorded as a component of Interest expense in the Consolidated Statements of Operations. As of December 31, 2014 and 2013, the Company has deferred financing fees associated with the \$22 Million Term Loan Facility and the \$44 Million Term Loan Facility. Additionally, as of December 31, 2014, the Company had deferred financing fees associated with the 2014 Term Loan Facility and the \$148 Million Credit Facility as these loan facilities were entered into by the Company effective October 8, 2014 and December 31, 2014, respectively. Borrowings under the \$148 Million Credit Facility are to be used to refinance the Company's outstanding indebtedness under the 2010 Credit Facility. As such, on December 31, 2014, the net unamortized deferred financing costs associated with the 2010 Credit Facility are going to be amortized over the life of the \$148 Million Credit Facility. (Refer to Note 7 Debt)

Total net deferred financing costs consist of the following as of December 31, 2014 and 2013:

	December 31, 2014	December 31, 2013
2010 Credit Facility	\$ 3,339	\$ 3,339
\$148 Million Credit Facility	3,233	
\$22 Million Term Loan Facility	529	518
\$44 Million Term Loan Facility	758	737
2014 Term Loan Facilities	1,853	
Total deferred financing costs	6,373	4,594
Less: accumulated amortization	295	1,785
Total	\$ 6,078	\$ 2,809

Amortization expense of deferred financing costs for the years ended December 31, 2014, 2013 and 2012 was \$803, \$581 and \$467, respectively.

11 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	December 31, 2014	December 31, 2013
Accounts payable	\$ 3,366	\$ 1,011
Accrued vessel operating expenses	2,395	2,464
Accrued general and administrative expenses	555	307
Total	\$ 6,316	\$ 3,782

12 FIXED ASSETS

Fixed assets consist of the following:

	December 31, 2014	December 31, 2013
Fixed assets, at cost:		
Computer equipment	\$ 54	\$ 43
Vessel equipment	132	682
Total cost	186	725
Less: accumulated depreciation	66	47
Total	\$ 120	\$ 678

Depreciation expense for fixed assets for the years ended December 31, 2014, 2013 and 2012 was \$21, \$11 and \$16, respectively. Refer to Note 3 Cash Flow Information for information regarding the reclassification from fixed assets to vessel assets during the year ended December 31, 2014.

### 13 REVENUE FROM TIME CHARTERS

Total revenue earned on spot market-related time charters, short-term time charters and in vessel pools, as well as the sale of bunkers consumed during short-term time charters, during the years ended December 31, 2014, 2013 and 2012 was \$45,520, \$35,973 and \$27,304. Future minimum time charter revenue attributable to the Baltic Jaguar and Baltic Leopard, which are committed to noncancelable short-term time charters as of February 11, 2015, is expected to be \$434 during 2015. Future minimum time charter revenue for the Company's remaining vessels cannot be estimated as these vessels are currently on spot market-related time charters or in vessel pools, and future spot rates cannot be estimated. The spot market-related time charters and pool arrangements that the Company's vessels were employed on as of December 31, 2014 have estimated expiration dates that range from January 2015 to January 2016.

### 14 NONVESTED STOCK AWARDS

On March 3, 2010, the Company's Board of Directors approved the Baltic Trading Limited 2010 Equity Incentive Plan (the Plan). On March 13, 2014, the Company's Board of Directors approved an amendment to the Plan that increased the aggregate number of shares of common stock available for awards from 2,000,000 to 6,000,000 shares. Additionally, on April 9, 2014, at the Company 2014 Annual Meeting of Shareholders, Baltic Trading's shareholders approved the amendment to the Plan. Under the Plan, the Company's Board of Directors, the compensation committee, or another designated committee of the Board of Directors may grant a variety of stock-based incentive awards to officers, directors, and executive, managerial, administrative and professional employees of and consultants to the Company or Genco whom the compensation committee (or other committee of the Board of Directors) believes are key to the Company's success. Awards may consist of restricted stock, restricted stock units, stock options, stock appreciation rights and other stock or cash-based awards.

Grants of restricted stock to Peter C. Georgiopoulos, Chairman of the Board, and John Wobensmith, President and Chief Financial Officer, made in connection with the Company's IPO vest ratably on each of the first four anniversaries of March 15, 2010. Grants of restricted common stock to directors made following the Company's IPO (which exclude the foregoing grant to Mr. Georgiopoulos) vest the earlier of the first anniversary of the grant date or the date of the next annual shareholders' meeting. Grants of restricted stock made to executives and the Chairman of the Board not in connection with the Company's IPO vest ratably on each of the first four anniversaries of the determined vesting date.

The following table presents a summary of the Company's restricted stock awards for the years ended December 31, 2014, 2013 and 2012:

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	2014		Year Ended December 31, 2013		2012	
	Number of Shares	Weighted Average Grant Date Price	Number of Shares	Weighted Average Grant Date Price	Number of Shares	Weighted Average Grant Date Price
Outstanding at January 1	1,381,429	\$ 6.03	664,249	\$ 7.70	545,750	\$ 11.60
Granted	1,086,345	2.61	998,680	5.60	299,999	3.04
Vested	(525,930)	7.21	(281,500)	8.48	(181,500)	11.71
Forfeited						
Outstanding at December 31	1,941,844	\$ 3.80	1,381,429	\$ 6.03	664,249	\$ 7.70

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The total fair value of shares that vested under the Plan during the years ended December 31, 2014, 2013 and 2012 was \$2,311, \$1,194 and \$663. The total fair value is calculated as the number of shares vested during the period multiplied by the fair value on the vesting date.

For the years ended December 31, 2014, 2013 and 2012, the Company recognized nonvested stock amortization expense for the Plan, which is included in General, administrative and technical management fees, as follows:

	Year Ended December 31,		
	2014	2013	2012
General, administrative and technical management fees	\$ 3,500	\$ 1,558	\$ 1,777

The Company is amortizing these grants over the applicable vesting periods, net of anticipated forfeitures. As of December 31, 2014, unrecognized compensation cost of \$5,273 related to nonvested stock will be recognized over a weighted-average period of 3.28 years.

### 15 LEGAL PROCEEDINGS

From time to time, the Company may be subject to legal proceedings and claims in the ordinary course of its business, principally personal injury and property casualty claims. Such claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. The Company is not aware of any legal proceedings or claims that it believes will have, individually or in the aggregate, a material effect on the Company, its financial condition, results of operations or cash flows.

### 16 COMMITMENTS AND CONTINGENCIES

Genco, the Company's parent, provides the Company with commercial, technical, administrative and strategic services necessary to support the Company's business pursuant to the Company's Management Agreement with Genco. The management fees agreed upon pursuant to the Management Agreement consist of the following: commercial service fee of 1.25% of gross charter revenues earned by each vessel; technical services fee of \$750 per vessel per day (subject to annual increases based on changes in the Consumer Price Index); and sale and purchase fees equal to 1% of the gross purchase or sale price upon the consummation of any purchase or sale of a vessel by the Company. Subject to early termination in certain circumstances, the initial term of the Management Agreement will expire on June 30, 2025. If not terminated, the Management Agreement automatically renews for a five-year period and will thereafter be extended in additional five-year increments if the Company does not provide notice of termination in the fourth quarter of the year immediately preceding the end of the relevant term. If the Company terminates the agreement without cause, or if Genco terminates the agreement for the Company's material breach or the Company's change of control, the Company must make a termination payment to Genco in a single lump sum within 30 days of the termination date. The termination payment is generally calculated as the five times the average annual management fees payable to Genco for the last five completed years of the term of the Management Agreement, or such lesser number of years as may have been completed at the time of termination. As of December 31, 2014, the termination payment that would be due to Genco is approximately \$20,951. Refer to Note 6 Related Party Transactions for any costs incurred during the years ended December 31, 2014, 2013 and 2012 pursuant to the Management Agreement.

### 17 UNAUDITED QUARTERLY RESULTS OF OPERATIONS

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In the opinion of the Company's management, all adjustments, consisting of normal recurring accruals considered necessary for a fair presentation have been included on a quarterly basis.

	Mar 31	2014 Quarter Ended			2013 Quarter Ended			Dec 31
		Jun 30	Sept 30	Dec 31	Mar 31	Jun 30	Sept 30	Dec 31
	(In thousands, except per share amounts)							
Revenues	\$ 13,091	\$ 10,703	\$ 10,039	\$ 11,687	\$ 5,986	\$ 6,379	\$ 9,102	\$ 14,506
Operating (loss) income	(2,001)	(4,208)	(4,057)	(4,071)	(4,075)	(3,588)	(1,123)	1,877
Net (loss) income	(3,533)	(5,674)	(5,454)	(5,606)	(5,083)	(4,625)	(2,270)	586
Net (loss) income per share of common and Class B Stock:								
Net (loss) income per share - Basic (1)	\$ (0.06)	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$ (0.23)	\$ (0.19)	\$ (0.08)	\$ 0.01
Net (loss) income per share Diluted (1)	\$ (0.06)	\$ (0.10)	\$ (0.10)	\$ (0.10)	\$ (0.23)	\$ (0.19)	\$ (0.08)	\$ 0.01
Dividends declared and paid per share of common and Class B Stock	\$ 0.03	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.02

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(1) Amounts may not total to annual earnings (loss) because each quarter and year are calculated separately based on basic and diluted weighted-average common and Class B shares outstanding during that period.

18 SUBSEQUENT EVENTS

On January 2, 2015, the Company took delivery of the Baltic Wasp, a 63,389 dwt Ultramax newbuilding from Yangfan Group Co., Ltd. The Company utilized cash on hand and \$16,350 of proceeds from the 2014 Term Loan Facilities to pay the remaining balance of \$19,400 for the Baltic Wasp.

On February 27, 2015, the Company drew down \$10,500 under the working capital line of the \$148 Million Credit Facility. This amount represents the remaining availability under the \$115,000 revolving credit facility.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

No changes were made to, nor was there any disagreement with the Company's independent registered public accounting firm regarding the Company's accounting or financial disclosure.

**ITEM 9A. CONTROLS AND PROCEDURES**

**EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

Under the supervision and with the participation of our management, including our President and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 as of the end of the period covered by this Report. Based upon that evaluation, our President and Chief Financial Officer has concluded that our disclosure controls and procedures are effective.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

**MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
  
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and



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- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on our assessment and those criteria, our management believes that we maintained effective internal control over financial reporting as of December 31, 2014.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an audit report on the Company's internal control over financial reporting. The attestation report is included on page 65 of this report.

### **CHANGES IN INTERNAL CONTROLS**

There have been no changes in our internal controls or over financial reporting that occurred during our most recent fiscal quarter (the fourth fiscal quarter of 2014) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Baltic Trading Limited

New York, New York

We have audited the internal control over financial reporting of Baltic Trading Limited and subsidiaries (the Company) as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

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We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013 of the Company and our report dated March 2, 2015 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

New York, New York  
March 2, 2015

**ITEM 9B. OTHER INFORMATION**

Not applicable.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information regarding our directors and executive officers is set forth in our Proxy Statement for our 2015 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2014 (the 2015 Proxy Statement ) under the headings Election of Directors and Management and is incorporated by reference herein. Information relating to our Code of Conduct and Ethics and to compliance with Section 16(a) of the 1934 Act is set forth in the 2015 Proxy Statement under the heading Corporate Governance and is incorporated by reference herein.

We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of the Code of Ethics for Chief Executive and Senior Financial Officers by posting such information on our website, [www.baltictrading.com](http://www.baltictrading.com).

**ITEM 11. EXECUTIVE COMPENSATION**

Information regarding compensation of our executive officers and information with respect to Compensation Committee Interlocks and Insider Participation in compensation decisions is set forth in the 2015 Proxy Statement under the headings Management and Compensation Committee s Report on Executive Compensation and is incorporated by reference herein.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information regarding the beneficial ownership of shares of our common stock by certain persons is set forth in the 2015 Proxy Statement under the heading Security Ownership of Certain Beneficial Owners and Management and is incorporated by reference herein.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

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Information regarding certain of our transactions is set forth in the 2015 Proxy Statement under the heading "Certain Relationships and Related Transactions" and is incorporated by reference herein.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding our accountant fees and services is set forth in the 2015 Proxy Statement under the heading "Ratification of Appointment of Independent Auditors" and is incorporated by reference herein.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report:

1. The financial statements listed in the "Index to Consolidated Financial Statements"
2. Exhibits:
  - 3.1 Amended and Restated Articles of Incorporation of Baltic Trading Limited dated March 3, 2010.(1)
  - 3.2 Amended and Restated By-Laws of Baltic Trading Limited, dated as of March 3, 2010.(1)
  - 4.1 Form of Share Certificate of the Company.(2)

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- 4.2 Subscription Agreement for Class B Stock dated as of March 3, 2010 between Baltic Trading Limited and Genco Investments LLC.(1)
- 4.3 Shareholders Rights Agreement dated as of March 5, 2010 between Baltic Trading Limited and Mellon Investor Services LLC.(1)
- 10.1 Registration Rights Agreement dated as of March 15, 2010 by and between Baltic Trading Limited and Genco Investments LLC.(3)
- 10.2 Baltic Trading Limited 2010 Equity Incentive Plan, as amended and restated as of March 13, 2014.(4)
- 10.3 Management Agreement dated as of March 15, 2010 by and between Genco Shipping & Trading Limited and Baltic Trading Limited.(3)
- 10.4 Amendment No. 2 to Management Agreement by and between Baltic Trading Limited and Genco Shipping & Trading Limited dated as of April 3, 2013.(5)
- 10.5 Amendment No. 3 to Management Agreement by and between Baltic Trading Limited and Genco Shipping & Trading Limited dated as of August 21, 2013.(6)
- 10.6 Omnibus Agreement dated as of March 15, 2010 by and between Genco Shipping & Trading Limited and Baltic Trading Limited.(3)
- 10.7 Restricted Stock Grant Agreement dated as of March 15, 2010 by and between Peter C. Georgiopoulos and Baltic Trading Limited.(7)
- 10.8 Restricted Stock Grant Agreement dated as of March 15, 2010 by and between John C. Wobensmith and Baltic Trading Limited.(7)
- 10.9 Restricted Stock Grant Agreement dated as of December 24, 2010 by and between Peter C. Georgiopoulos and Baltic Trading Limited.(8)
- 10.10 Restricted Stock Grant Agreement dated as of December 24, 2010 by and between John C. Wobensmith and Baltic Trading Limited.(8)

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10.11 Restricted Stock Grant Agreement dated as of December 21, 2011 by and between Peter C. Georgiopoulos and Baltic Trading Limited.(9)

10.12 Restricted Stock Grant Agreement dated as of December 21, 2011 by and between John C. Wobensmith and Baltic Trading Limited.(9)

10.13 Restricted Stock Grant Agreement dated as of December 13, 2012 by and between Peter C. Georgiopoulos and Baltic Trading Limited.(10)

10.14 Restricted Stock Grant Agreement dated as of December 13, 2012 by and between John C. Wobensmith and Baltic Trading Limited.(10)

10.15 Restricted Stock Grant Agreement dated as of December 19, 2013 by and between Peter C. Georgiopoulos and Baltic Trading Limited.(14)

10.16 Restricted Stock Grant Agreement dated as of December 19, 2013 by and between John C. Wobensmith and Baltic Trading Limited for 300,000 restricted shares of common stock.(14)

10.17 Restricted Stock Grant Agreement dated as of December 19, 2013 by and between John C. Wobensmith and Baltic Trading Limited for 100,000 restricted shares of common stock.(4)

10.18 Restricted Stock Grant Agreement dated as of December 18, 2014 by and between Peter C. Georgiopoulos and Baltic Trading

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Limited.(\*)

- 10.19 Restricted Stock Grant Agreement dated as of December 18, 2014 by and between John C. Wobensmith and Baltic Trading Limited.(\*)
- 10.20 Letter Agreement dated December 19, 2013 by and between John C. Wobensmith and Baltic Trading Limited.(4)
- 10.21 Amendment Agreement dated December 19, 2013 by and between John C. Wobensmith and Baltic Trading Limited.(4)
- 10.22 Form of Director Restricted Stock Grant Agreement dated as of March 15, 2010.(7)
- 10.23 Form of Director Restricted Stock Grant Agreement dated as of May 12, 2011.(11)
- 10.24 Form of Director Restricted Stock Grant Agreement dated as of May 17, 2012.(10)
- 10.25 Form of Director Restricted Stock Grant Agreement dated as of December 13, 2012.(10)
- 10.26 Form of Director Restricted Stock Grant Agreement dated as of May 16, 2013.(14)
- 10.27 Form of Director Restricted Stock Grant Agreement dated as of April 9, 2014.(\*)
- 10.28 Memorandum of Agreement dated as of October 31, 2013 by and between Baltic Lion Limited and Harmony Shipholding S.A.(13)
- 10.29 Memorandum of Agreement dated as of October 31, 2013 by and between Baltic Tiger Limited and Concord Shipholding S.A.(13)
- 10.30 Shipbuilding Contract No. 13YF-NB-50 dated as of November 13, 2013 by and between Baltic Trading Limited and Yangfan Group Co., Ltd.(14)



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10.31 Shipbuilding Contract No. 13YF-NB-51 dated as of November 13, 2013 by and between Baltic Trading Limited and Yangfan Group Co., Ltd.(14)

10.32 Shipbuilding Contract No. 13YF-NB-52 dated as of November 13, 2013 by and between Baltic Trading Limited and Yangfan Group Co., Ltd.(14)

10.33 Shipbuilding Contract No. 13YF-NB-53 dated as of November 13, 2013 by and between Baltic Trading Limited and Yangfan Group Co., Ltd.(14)

10.34 Side Letter for Construction of 64000DWT Bulk Carriers dated as of November 13, 2013 by and between Baltic Trading Limited and Yangfan Group Co. Ltd.(14)

10.35 Credit Agreement, dated as of April 16, 2010, by and among Baltic Trading Limited, and Nordea Bank Finland plc, New York Branch, as lender, Administrative Agent and Security Trustee.(15)

10.36 Amended and Restated Credit Agreement, dated as of November 30, 2010, by and among Baltic Trading Limited, various lenders named therein, and Nordea Bank Finland plc, New York Branch, as Administrative Agent and Security Trustee.(16)

10.37 Amendment No. 1 to Amended and Restated Credit Agreement by and among Baltic Trading Limited, various lenders named therein, and Nordea Bank Finland plc, New York Branch, as Administrative Agent and Security Trustee, dated as of August 29, 2013.(17)

10.38 Loan Agreement by and among Baltic Hare Limited and Baltic Fox limited as borrowers, the banks listed therein as lenders, and DVB Bank SE, as agent, arranger, and security agent, dated as of August 30, 2013.(17)

10.39 Guarantee and Indemnity from Baltic Trading Limited to DVB Bank SE dated as of August 30, 2013.(17)

10.40 Loan Agreement by and among Baltic Tiger Limited and Baltic Lion limited as borrowers, the banks listed therein as lenders, and DVB Bank SE, as agent, arranger, and security agent, dated as of December 3, 2013.(18)

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- 10.41 Guarantee and Indemnity from Baltic Trading Limited to DVB Bank SE dated as of December 3, 2013.(18)
- 10.42 Letter Agreement dated March 26, 2014 between Genco Shipping & Trading Limited and John C. Wobensmith.(19)
- 10.43 Letter Agreement dated March 26, 2014 between Baltic Trading Limited and John C. Wobensmith.(19)
- 10.44 US\$16,800,000 Secured Loan Agreement dated as of October 8, 2014 by and among Baltic Hornet Limited (as Borrower), ABN AMRO Capital USA LLC and others (as Lenders), ABN AMRO Capital USA LLC (as MLA, Agent, and Security Agent), ABN AMRO Bank N.V. Singapore Branch (as Sinasure Agent), and ABN AMRO Bank N.V. (as Swap Provider).(20)
- 10.45 Guarantee and Indemnity dated as of October 8, 2014 by Baltic Trading Limited in favor of ABN AMRO Capital USA LLC in respect of the loan to Baltic Hornet Limited.(20)
- 10.46 US\$16,800,000 Secured Loan Agreement dated as of October 8, 2014 by and among Baltic Wasp Limited (as Borrower), ABN AMRO Capital USA LLC and others (as Lenders), ABN AMRO Capital USA LLC (as MLA, Agent, and Security Agent), ABN AMRO Bank N.V. Singapore Branch (as Sinasure Agent), and ABN AMRO Bank N.V. (as Swap Provider).(20)
- 10.47 Guarantee and Indemnity dated as of October 8, 2014 by Baltic Trading Limited in favor of ABN AMRO Capital USA LLC in respect of the loan to Baltic Wasp Limited.(20)
- 10.48 Credit Agreement by and among Baltic Trading Limited, various lenders named therein, and Nordea Bank Finland plc, New York Branch, as Administrative Agent and Security Trustee, dated as of December 31, 2014.(\*)
- 10.49 Pledge and Security Agreement made by the Pledgors named therein to Nordea Bank Finland plc, New York Branch, as Security Agent and Deposit Account Bank, dated as of January 7, 2015.(\*)
- 14.1 Code of Ethics.(8)
- 21.1 Subsidiaries of Baltic Trading Limited.(\*)

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23.1 Consent of Deloitte & Touche LLP.(\*)

31.1 Certification of President and Chief Financial Officer pursuant to Rule 13(a)-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.(\*)

32.1 Certification of President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.(\*)

101 The following materials from Baltic Trading Limited's Annual Report on Form 10-K for the year ended December 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2014 and December 31, 2013, (ii) Consolidated Statements of Operations for the Years ended December 31, 2014, 2013 and 2012, (iii) Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2014, 2013 and 2012, (iv) Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012, and (v) Notes to Consolidated Financial Statements for the Years Ended December 31, 2014, 2013 and 2012.(\*)

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(\*) Filed herewith.

(1) Incorporated by reference to Baltic Trading Limited's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on March 9, 2010.

(2) Incorporated by reference to Baltic Trading Limited's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on December 17, 2009.

(3) Incorporated by reference to Genco Shipping & Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2010.

(4) Incorporated by reference to Baltic Trading Limited's Registration Statement on Form S-8, filed with the Securities and Exchange Commission on April 9, 2014.

(5) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on April 3, 2013.

(6) Incorporated by reference to Baltic Trading Limited's Report on Form 10-Q, filed with the Securities and Exchange Commission on November 7, 2013.



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- (7) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2010.
- (8) Incorporated by reference to Baltic Trading Limited's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 9, 2011.
- (9) Incorporated by reference to Genco Shipping & Trading Limited's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 29, 2012.
- (10) Incorporated by reference to Baltic Trading Limited's Report Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 1, 2013.
- (11) Incorporated by reference to Genco Shipping & Trading Limited's Report on Form 10-Q, filed with the Securities and Exchange Commission on August 9, 2011.
- (12) Incorporated by reference to Baltic Trading Limited's Report on Form 10-Q, filed with the Securities and Exchange Commission on August 9, 2010.
- (13) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on November 6, 2013.
- (14) Incorporated by reference to Baltic Trading Limited's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 3, 2014.
- (15) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on April 19, 2010.
- (16) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on December 1, 2010.
- (17) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on September 5, 2013.

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(18) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on December 6, 2013.

(19) Incorporated by reference to Genco Shipping & Trading Limited's Report on Form 8-K, filed with Securities and Exchange Commission on March 28, 2014.

(20) Incorporated by reference to Baltic Trading Limited's Report on Form 10-Q, filed with the Securities and Exchange Commission on November 10, 2014.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 2, 2015.

BALTIC TRADING LIMITED

By: /s/ John C. Wobensmith  
Name: John C. Wobensmith  
Title: President, Secretary, Treasurer and Chief  
Financial Officer  
(Principal Executive Officer and Principal Financial  
and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on March 2, 2015.

SIGNATURE	TITLE
/s/ John C. Wobensmith John C. Wobensmith	PRESIDENT, SECRETARY, TREASURER AND CHIEF FINANCIAL OFFICER (PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)
/s/ Peter C. Georgiopoulos Peter C. Georgiopoulos	CHAIRMAN OF THE BOARD AND DIRECTOR
/s/ George Wood George Wood	DIRECTOR
/s/ Edward Terino Edward Terino	DIRECTOR
/s/ Basil G. Mavroleon Basil G. Mavroleon	DIRECTOR
/s/ Harry A. Perrin Harry A. Perrin	DIRECTOR

**EXHIBIT INDEX**

<b>Exhibit</b>	<b>Document</b>
1.	The financial statements listed in the Index to Consolidated Financial Statements
2.	Exhibits:
3.1	Amended and Restated Articles of Incorporation of Baltic Trading Limited dated March 3, 2010.(1)
3.2	Amended and Restated By-Laws of Baltic Trading Limited, dated as of March 3, 2010.(1)
4.1	Form of Share Certificate of the Company.(2)
4.2	Subscription Agreement for Class B Stock dated as of March 3, 2010 between Baltic Trading Limited and Genco Investments LLC.(1)
4.3	Shareholders Rights Agreement dated as of March 5, 2010 between Baltic Trading Limited and Mellon Investor Services LLC.(1)
10.1	Registration Rights Agreement dated as of March 15, 2010 by and between Baltic Trading Limited and Genco Investments LLC.(3)
10.2	Baltic Trading Limited 2010 Equity Incentive Plan, as amended and restated as of March 13, 2014.(4)
10.3	Management Agreement dated as of March 15, 2010 by and between Genco Shipping & Trading Limited and Baltic Trading Limited.(3)
10.4	Amendment No. 2 to Management Agreement by and between Baltic Trading Limited and Genco Shipping & Trading Limited dated as of April 3, 2013.(5)
10.5	Amendment No. 3 to Management Agreement by and between Baltic Trading Limited and Genco Shipping & Trading Limited dated as of August 21, 2013.(6)
10.6	Omnibus Agreement dated as of March 15, 2010 by and between Genco Shipping & Trading Limited and Baltic Trading Limited.(3)
10.7	Restricted Stock Grant Agreement dated as of March 15, 2010 by and between Peter C. Georgiopoulos and Baltic Trading Limited.(7)
10.8	Restricted Stock Grant Agreement dated as of March 15, 2010 by and between John C. Wobensmith and Baltic Trading Limited.(7)
10.9	Restricted Stock Grant Agreement dated as of December 24, 2010 by and between Peter C. Georgiopoulos and Baltic Trading Limited.(8)
10.10	Restricted Stock Grant Agreement dated as of December 24, 2010 by and between John C. Wobensmith and Baltic Trading Limited.(8)
10.11	Restricted Stock Grant Agreement dated as of December 21, 2011 by and between Peter C. Georgiopoulos and Baltic Trading Limited.(9)
10.12	Restricted Stock Grant Agreement dated as of December 21, 2011 by and between John C. Wobensmith and Baltic Trading Limited.(9)
10.13	Restricted Stock Grant Agreement dated as of December 13, 2012 by and between Peter C. Georgiopoulos and Baltic Trading Limited.(10)
10.14	Restricted Stock Grant Agreement dated as of December 13, 2012 by and between John C. Wobensmith and Baltic



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Trading Limited.(10)

- 10.15 Restricted Stock Grant Agreement dated as of December 19, 2013 by and between Peter C. Georgiopoulos and Baltic Trading Limited.(14)
- 10.16 Restricted Stock Grant Agreement dated as of December 19, 2013 by and between John C. Wobensmith and Baltic Trading Limited for 300,000 restricted shares of common stock.(14)
- 10.17 Restricted Stock Grant Agreement dated as of December 19, 2013 by and between John C. Wobensmith and Baltic Trading Limited for 100,000 restricted shares of common stock.(4)
- 10.18 Restricted Stock Grant Agreement dated as of December 18, 2014 by and between Peter C. Georgiopoulos and Baltic Trading Limited.(\*)
- 10.19 Restricted Stock Grant Agreement dated as of December 18, 2014 by and between John C. Wobensmith and Baltic Trading Limited.(\*)
- 10.20 Letter Agreement dated December 19, 2013 by and between John C. Wobensmith and Baltic Trading Limited.(4)
- 10.21 Amendment Agreement dated December 19, 2013 by and between John C. Wobensmith and Baltic Trading Limited.(4)
- 10.22 Form of Director Restricted Stock Grant Agreement dated as of March 15, 2010.(7)
- 10.23 Form of Director Restricted Stock Grant Agreement dated as of May 12, 2011.(11)
- 10.24 Form of Director Restricted Stock Grant Agreement dated as of May 17, 2012.(10)
- 10.25 Form of Director Restricted Stock Grant Agreement dated as of December 13, 2012.(10)
- 10.26 Form of Director Restricted Stock Grant Agreement dated as of May 16, 2013.(14)
- 10.27 Form of Director Restricted Stock Grant Agreement dated as of April 9, 2014.(\*)
- 10.28 Memorandum of Agreement dated as of October 31, 2013 by and between Baltic Lion Limited and Harmony Shipholding S.A.(13)
- 10.29 Memorandum of Agreement dated as of October 31, 2013 by and between Baltic Tiger Limited and Concord Shipholding S.A.(13)
- 10.30 Shipbuilding Contract No. 13YF-NB-50 dated as of November 13, 2013 by and between Baltic Trading Limited and Yangfan Group Co., Ltd.(14)
- 10.31 Shipbuilding Contract No. 13YF-NB-51 dated as of November 13, 2013 by and between Baltic Trading Limited and Yangfan Group Co., Ltd.(14)
- 10.32 Shipbuilding Contract No. 13YF-NB-52 dated as of November 13, 2013 by and between Baltic Trading Limited and Yangfan Group Co., Ltd.(14)
- 10.33 Shipbuilding Contract No. 13YF-NB-53 dated as of November 13, 2013 by and between Baltic Trading Limited and Yangfan Group Co., Ltd.(14)
- 10.34 Side Letter for Construction of 64000DWT Bulk Carriers dated as of November 13, 2013 by and between Baltic Trading Limited and Yangfan Group Co. Ltd.(14)
- 10.35 Credit Agreement, dated as of April 16, 2010, by and among Baltic Trading Limited, and Nordea Bank Finland plc, New York Branch, as lender, Administrative Agent and Security Trustee.(15)
- 10.36 Amended and Restated Credit Agreement, dated as of November 30, 2010, by and among Baltic Trading Limited, various lenders named therein, and Nordea Bank Finland plc, New York Branch, as Administrative Agent and Security Trustee.(16)



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- 10.37 Amendment No. 1 to Amended and Restated Credit Agreement by and among Baltic Trading Limited, various lenders named therein, and Nordea Bank Finland plc, New York Branch, as Administrative Agent and Security Trustee, dated as of August 29, 2013.(17)
- 10.38 Loan Agreement by and among Baltic Hare Limited and Baltic Fox limited as borrowers, the banks listed therein as lenders, and DVB Bank SE, as agent, arranger, and security agent, dated as of August 30, 2013.(17)
- 10.39 Guarantee and Indemnity from Baltic Trading Limited to DVB Bank SE dated as of August 30, 2013.(17)
- 10.40 Loan Agreement by and among Baltic Tiger Limited and Baltic Lion limited as borrowers, the banks listed therein as lenders, and DVB Bank SE, as agent, arranger, and security agent, dated as of December 3, 2013.(18)
- 10.41 Guarantee and Indemnity from Baltic Trading Limited to DVB Bank SE dated as of December 3, 2013.(18)
- 10.42 Letter Agreement dated March 26, 2014 between Genco Shipping & Trading Limited and John C. Wobensmith.(19)
- 10.43 Letter Agreement dated March 26, 2014 between Baltic Trading Limited and John C. Wobensmith.(19)
- 10.44 US\$16,800,000 Secured Loan Agreement dated as of October 8, 2014 by and among Baltic Hornet Limited (as Borrower), ABN AMRO Capital USA LLC and others (as Lenders), ABN AMRO Capital USA LLC (as MLA, Agent, and Security Agent), ABN AMRO Bank N.V. Singapore Branch (as Sinosure Agent), and ABN AMRO Bank N.V. (as Swap Provider).(20)
- 10.45 Guarantee and Indemnity dated as of October 8, 2014 by Baltic Trading Limited in favor of ABN AMRO Capital USA LLC in respect of the loan to Baltic Hornet Limited.(20)
- 10.46 US\$16,800,000 Secured Loan Agreement dated as of October 8, 2014 by and among Baltic Wasp Limited (as Borrower), ABN AMRO Capital USA LLC and others (as Lenders), ABN AMRO Capital USA LLC (as MLA, Agent, and Security Agent), ABN AMRO Bank N.V. Singapore Branch (as Sinosure Agent), and ABN AMRO Bank N.V. (as Swap Provider).(20)
- 10.47 Guarantee and Indemnity dated as of October 8, 2014 by Baltic Trading Limited in favor of ABN AMRO Capital USA LLC in respect of the loan to Baltic Wasp Limited.(20)
- 10.48 Credit Agreement by and among Baltic Trading Limited, various lenders named therein, and Nordea Bank Finland plc, New York Branch, as Administrative Agent and Security Trustee, dated as of December 31, 2014.(\*)
- 10.49 Pledge and Security Agreement made by the Pledgors named therein to Nordea Bank Finland plc, New York Branch, as Security Agent and Deposit Account Bank, dated as of January 7, 2015.(\*)
- 14.1 Code of Ethics.(8)
- 21.1 Subsidiaries of Baltic Trading Limited.(\*)
- 23.1 Consent of Deloitte & Touche LLP.(\*)
- 31.1 Certification of President and Chief Financial Officer pursuant to Rule 13(a)-14(a) and 15(d)-14(a) of the Securities Exchange Act of 1934, as amended.(\*)
- 32.1 Certification of President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.(\*)
- 101 The following materials from Baltic Trading Limited's Annual Report on Form 10-K for the year ended December 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2014 and December 31, 2013, (ii) Consolidated Statements of Operations for the Years ended December 31, 2014, 2013 and 2012, (iii) Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2014, 2013 and 2012, (iv) Consolidated Statements of Cash Flows for the Years Ended December 31, 2014, 2013 and 2012, and (v) Notes to Consolidated Financial Statements for the Years Ended December 31, 2014, 2013 and 2012.(\*)



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- (\*) Filed herewith.
- (1) Incorporated by reference to Baltic Trading Limited's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on March 9, 2010.
  - (2) Incorporated by reference to Baltic Trading Limited's Registration Statement on Form S-1/A, filed with the Securities and Exchange Commission on December 17, 2009.
  - (3) Incorporated by reference to Genco Shipping & Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2010.
  - (4) Incorporated by reference to Baltic Trading Limited's Registration Statement on Form S-8, filed with the Securities and Exchange Commission on April 9, 2014.
  - (5) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on April 3, 2013.
  - (6) Incorporated by reference to Baltic Trading Limited's Report on Form 10-Q, filed with the Securities and Exchange Commission on November 7, 2013.
  - (7) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on March 15, 2010.
  - (8) Incorporated by reference to Baltic Trading Limited's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 9, 2011.
  - (9) Incorporated by reference to Genco Shipping & Trading Limited's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on February 29, 2012.
  - (10) Incorporated by reference to Baltic Trading Limited's Report Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 1, 2013.
  - (11) Incorporated by reference to Genco Shipping & Trading Limited's Report on Form 10-Q, filed with the Securities and Exchange Commission on August 9, 2011.
  - (12) Incorporated by reference to Baltic Trading Limited's Report on Form 10-Q, filed with the Securities and Exchange Commission on August 9, 2010.
  - (13) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on November 6, 2013.
  - (14) Incorporated by reference to Baltic Trading Limited's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 3, 2014.
  - (15) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on April 19, 2010.
  - (16) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on December 1, 2010.
  - (17) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on September 5, 2013.
  - (18) Incorporated by reference to Baltic Trading Limited's Report on Form 8-K, filed with the Securities and Exchange Commission on December 6, 2013.



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- (19) Incorporated by reference to Genco Shipping & Trading Limited's Report on Form 8-K, filed with Securities and Exchange Commission on March 28, 2014.
- (20) Incorporated by reference to Baltic Trading Limited's Report on Form 10-Q, filed with the Securities and Exchange Commission on November 10, 2014.