

Eagle Bulk Shipping Inc.

Form 10-K/A

December 30, 2016

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-K/A**

**Amendment No. 2**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

**THE**

**SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year Ended December 31, 2015**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

**THE**

**SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from                      to**

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**Commission File Number 001-33831**

**EAGLE BULK SHIPPING INC.**

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(Exact name of Registrant as specified in its charter)

**Republic of the Marshall Islands**

(State or other jurisdiction of incorporation or organization)

**98-0453513**

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

**300 First Stamford Place, 5<sup>th</sup> Floor**

**Stamford, Connecticut**

**06902**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (203) 276-8100

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

Common Stock, par value \$.01 per share

(Title of Class)

The Common Stock is registered on the Nasdaq Stock Market LLC

(Name of exchange on which registered)

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

Indicate 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



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

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

Indicate by check mark 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 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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

(Do not check if a smaller reporting company)

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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant on June 30, 2015, was \$111,726,458 based on the closing price of \$6.97 per share on the Nasdaq Global Select Market on that date. (For this purpose, all outstanding shares of common stock have been considered held by non-affiliates, other than the shares beneficially owned by directors, officers and certain shareholders of the registrant holding above 10% of the outstanding shares of common stock; without conceding that any of the excluded parties are "affiliates" of the registrant for purposes of the federal securities laws.)

As of April 29, 2016, 45,713,023 shares of the registrant's common stock were outstanding.

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

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**EXPLANATORY NOTE**

Eagle Bulk Shipping Inc. is filing this Amendment No. 2 (this “Amendment No. 2”) to its Annual Report on Form 10-K for the fiscal year ended December 31, 2015, as filed with the Securities and Exchange Commission (the “Commission”) on March 31, 2016 (the “Original Form 10-K”) and amended by Amendment No. 1 to the Original Form 10-K filed with the Commission on April 29, 2016 (“Amendment No. 1”), solely for the purposes of amending the Report of Independent Registered Public Accounting Firm (the “Audit Report”) contained in Item 15 of Part IV of the Original Form 10-K to correct a typographical error in certain dates included on page F-4 from October 25, 2014 to October 16, 2014.

Pursuant to Rule 12b-15 promulgated under the Securities Exchange Act of 1934, as amended, we have repeated the entire text of Item 15 of Part IV of the Original Form 10-K in this Amendment No. 2 and we have also included, as exhibits, new certifications of the principal executive officer and the principal financial officer required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. In addition, updated consents of the Independent Registered Public Accounting Firms are being filed as exhibits.

Except as described above, no other changes have been made to the Original Form 10-K or Amendment No. 1, and this Amendment No. 2 does not amend, update or change any other items or disclosures in the Original Form 10-K or Amendment No. 1. Further, this Amendment No. 2 does not reflect subsequent events occurring after the filing date of the Original Form 10-K or Amendment No. 1 or modify or update in any way disclosures in the Original Form 10-K or Amendment No. 1.

**Item 15. Exhibits, Financial Statement Schedules**

(a) Documents filed as part of this Annual Report on Form 10-K

1. Consolidated Financial Statements: See accompanying Index to Consolidated Financial Statements.

2. Consolidated Financial Statement Schedule: Financial statement schedules are omitted due to the absence of conditions under which they are required

(b) Exhibits

- Amended and Restated Articles of Incorporation of Eagle Bulk Shipping Inc., incorporated by reference to
- 3.1 Exhibit 3.1 to the Registration Statement on Form S-1/A of Eagle Bulk Shipping Inc. (Registration No. 333-123817), filed with the SEC on June 20, 2005.
- Articles of Amendment to the Company's Amended and Restated Articles of Incorporation of Eagle Bulk
- 3.2 Shipping Inc., incorporated by reference to Exhibit 3.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on May 23, 2012.
- Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of Eagle
- 3.3 Bulk Shipping Inc., incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 8-A of Eagle Bulk Shipping Inc., filed with the SEC on November 13, 2007.
- Amended and Restated Bylaws of Eagle Bulk Shipping Inc., incorporated by reference to Exhibit 3.2 to the
- 3.4 Registration Statement on Form S-1/A of Eagle Bulk Shipping Inc. (Registration No. 333-123817) filed with the SEC on June 20, 2005.
- Second Amended and Restated Articles of Incorporation of Eagle Bulk Shipping Inc., as adopted on October 15,
- 3.5 2014, incorporated by reference to Exhibit 3.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on October 16, 2014.
- Second Amended and Restated By-Laws of Eagle Bulk Shipping Inc., dated as of October 15, 2014,
- 3.6 incorporated by reference to Exhibit 3.2 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on October 16, 2014.
- Form of Common Stock Share Certificate of Eagle Bulk Shipping Inc., incorporated by reference to Exhibit 4 to
- 4.1 the Registration Statement on Form S-1/A of Eagle Bulk Shipping Inc. (Registration No. 333-123817) filed with the SEC on June 20, 2005.
- 4.2 Form of Senior Indenture, incorporated by reference to Exhibit 4.7 to the Registration Statement on Form S-3 of Eagle Bulk Shipping Inc. (Registration No. 333-139745), filed with the SEC on December 29, 2006.
- 4.3 Form of Subordinated Indenture, incorporated by reference to Exhibit 4.8 to the Registration Statement on Form S-3 of Eagle Bulk Shipping Inc. (Registration No. 333-139745), filed with the SEC on December 29, 2006
- Rights Agreement, dated as of November 12, 2007, between Eagle Bulk Shipping Inc. and Computershare Trust
- 4.4 Company, N.A., incorporated by reference to Exhibit 4.1 to the Registration Statement on Form 8-A of Eagle Bulk Shipping Inc., filed with the SEC on November 13, 2007.
- 4.5

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- Amended and Restated Rights Agreement, dated as of June 20, 2012, between Eagle Bulk Shipping Inc. and Computershare Trust Company, N.A., incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc. filed with the SEC on June 20, 2012.
- 4.6 Form of Specimen Stock Certificate of Eagle Bulk Shipping Inc., incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on October 16, 2014.
- 4.7 Form of Specimen Warrant Certificate of Eagle Bulk Shipping Inc., incorporated by reference to Exhibit 4.2 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on October 16, 2014.
- 10.1 Form of Registration Rights Agreement, incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-1/A of Eagle Bulk Shipping Inc. (Registration No. 333-123817) filed with the SEC on June 20, 2005.
- 10.2 Form of Management Agreement with V Ships Management Ltd, incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-1/A of Eagle Bulk Shipping Inc. (Registration No. 333-123817) filed with the SEC on June 20, 2005
- 10.3 Form of Restricted Stock Unit Award Agreement, incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Eagle Bulk Shipping Inc. for the period ending September 30, 2007, filed on November 9, 2007
- 10.4 Eagle Bulk Shipping Inc. 2005 Stock Incentive Plan, incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-1/A of Eagle Bulk Shipping Inc. (Registration No. 333-123817) filed with the SEC on June 20, 2005.
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- 10.5 Amended and Restated Employment Agreement for Mr. Sophocles N. Zoullas, incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on June 20, 2008.
- 10.6 Eagle Bulk Shipping Inc. 2009 Stock Incentive Plan, incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A of Eagle Bulk Shipping Inc., filed with the SEC on April 10, 2009
- 10.7 Delphin Management Agreement, incorporated by reference to Exhibit 10.7 to the Annual Report on Form 10-K of Eagle Bulk Shipping Inc. for the fiscal year ended December 31, 2009, filed with the SEC on March 5, 2010.
- 10.8 Sixth Amendatory Agreement and Commercial Framework Implementation Agreement, dated as of September 26, 2011, as supplemented, among Eagle Bulk Shipping Inc., as Borrower, the certain subsidiaries of the Borrower, as Guarantors, the banks and financial institutions party thereto, as Lenders, and the Royal Bank of Scotland plc, as Arranger, Bookrunner, Swap Bank, Agent and Security Trustee, incorporated by reference to Exhibit 10.10 to the Annual Report on Form 10-K/A of Eagle Bulk Shipping Inc. for the fiscal year ended December 31, 2011, filed with the SEC on March 16, 2012.
- 10.9 Eagle Bulk Shipping Inc. 2011 Stock Incentive Plan., incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on November 17, 2011.
- 10.10 Fourth Amended and Restated Credit Agreement, dated as of June 20, 2012, for Eagle Bulk Shipping Inc., arranged by The Royal Bank of Scotland plc with The Royal Bank of Scotland plc acting as Agent and Security Trustee, incorporated by reference to Exhibit 10.12 to the quarterly report on Form 10-Q of Eagle Bulk Shipping Inc. for the period ended June 30, 2012, filed with the SEC on August 9, 2012.
- 10.11 Waiver and Forbearance Agreement entered into between Eagle Bulk Shipping Inc. and certain lenders under its Fourth Amended and Restated Credit Agreement, dated March 19, 2014, incorporated by reference to Exhibit 99.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on March 20, 2014.
- 10.12 Warrant Agreement, dated June 20, 2012, by and between Eagle Bulk Shipping Inc., as the Issuer, and the Lender Holders, as Holders, incorporated by reference to Exhibit 10.13 to the quarterly report on Form 10-Q of Eagle Bulk Shipping Inc. for the period ended June 30, 2012, filed with the SEC on August 9, 2012.
- 10.13 Warrant Shares Registration Rights Agreement, dated June 2012, by and among Eagle Bulk Shipping Inc. and the Lender Holders, incorporated by reference to Exhibit 10.14 to the quarterly report on Form 10-Q of Eagle Bulk Shipping Inc. for the period ended June 30, 2012, filed with the SEC on August 9, 2012.
- 10.14 Form of Indemnification Agreement entered into between Eagle Bulk Shipping Inc. and certain directors, officers and employees, incorporated by reference to Exhibit 10.14 to the annual Report on Form 8-K of Eagle Bulk Shipping Inc. for the fiscal year ended December 31, 2013, filed with the SEC on March 31, 2014.
- 10.15 Loan Agreement, dated as of October 9, 2014, incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on October 16, 2014.
- 10.16 Amendatory Agreement dated as of August 14, 2015, incorporated by reference to Exhibit 10.3 to the quarterly report of Eagle Bulk Shipping Inc., filed with the SEC on November 16, 2015.
- 10.17 Registration Rights Agreement, dated as of October 15, 2014, by and between Eagle Bulk Shipping Inc. and the Holders party thereto, incorporated by reference to Exhibit 10.2 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on October 16, 2014.
- 10.18 Warrant Agreement, dated as of October 15, 2014, between Eagle Bulk Shipping Inc. and Computershare Inc., as Warrant Agent, incorporated by reference to Exhibit 10.3 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on October 16, 2014.
- 10.19 Amended and Restated Management Agreement, dated as of August 15, 2014, between Eagle Bulk Shipping Inc., as Manager, and Delphin Shipping LLC, incorporated by reference to Exhibit 10.4 to the

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- Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on October 16, 2014.
- 10.20 CEO Employment Agreement, incorporated by reference to Exhibit 10.5 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on October 16, 2014.
- 10.21 Separation Agreement and General Release Agreement, dated March 9, 2015, between Eagle Bulk Shipping Inc. and Sophocles Zoullas, incorporated by reference to Exhibit 10.20 to the Annual report on Form 10-K for the fiscal year ended December 31, 2014, of Eagle Bulk Shipping Inc., filed with the SEC on April 2, 2015.
- 10.22 Separation Agreement and General Release, dated May 1, 2015, between Eagle Bulk Shipping Inc. and Alexis P. Zoullas, incorporated by reference to Exhibit 10.3 to the quarterly report on Form 10-Q of Eagle Bulk Shipping Inc., filed with the SEC on May 15, 2015.
- 10.23 Employment Agreement, dated July 7, 2015, between Eagle Bulk Shipping In. and Gary Vogel, incorporated by reference to Exhibit 10.2 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on August 18, 2014.
- 10.24 Eagle Bulk Shipping Inc. 2014 Equity Incentive Plan, incorporated by reference to Exhibit 10.20 to the report on Form 8-K of Eagle Bulk Shipping Inc. filed with the SEC on August 18, 2014.

- 10.25 Restricted Stock Award Agreement under the Eagle Bulk Shipping Inc. 2014 Equity Incentive Plan, by and between Eagle Bulk Shipping Inc. and Gary Vogel, dated as of September 29, 2015, incorporated by reference to Exhibit 10.1 to the quarterly report of Eagle Bulk Shipping Inc., filed with the SEC on November 16, 2015.
- 10.26 Option Award Agreement under the Eagle Bulk Shipping Inc. 2014 Equity Incentive Plan, by and between Eagle Bulk Shipping Inc. and Gary Vogel, dated as of September 29, 2015, incorporated by reference to Exhibit 10.2 to the quarterly report of Eagle Bulk Shipping Inc., filed with the SEC on November 16, 2015.
- 10.27 Forbearance and Standstill Agreement, dated as of January 15, 2016, incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on January 19, 2016.
- 10.28 Amendment No. 1 to Forbearance and Standstill Agreement, dated as of February 1, 2016, incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on February 2,

2016.

Limited Waiver to the Loan Agreement and Amendment No. 2 to Forbearance and Standstill Agreement, dated as of February 9, 10.292016, incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on February 9, 2016.

Limited Waiver to the Loan Agreement and Amendment No. 3 to Forbearance and Standstill Agreement, dated as of February 22, 10.302016, incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on February 22, 2016.

Second Limited Waiver to the Loan Agreement and Amendment No. 4 to Forbearance and Standstill Agreement, dated as of February 29, 10.312016, incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on March 1, 2016.

Amendment No. 5 to Forbearance and Standstill Agreement, dated as of March 6, 2016, incorporated by 10.32reference to Exhibit 10.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on March 7, 2016.

- Third Limited Waiver to the Loan Agreement and Amendment No. 6 to Forbearance and Standstill Agreement, dated as of March 8, 2016, incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on March 9, 2016.
- 10.33
- Fourth Limited Waiver to the Loan Agreement, dated as of March 18, incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on March 23, 2016.
- 10.34
- Amendment No. 7 to Forbearance and Standstill Agreement, dated as of March 22, 2016, incorporated by reference to Exhibit 10.2 to the Report on Form 8-K of Eagle Bulk Shipping Inc., filed with the SEC on March 23, 2016.
- 10.35
- 21.1 Subsidiaries of the Registrant\*
- Consent of Independent Registered Public Accounting Firm –Deloitte & Touche LLP
- 23.1 +
- Consent of Independent Registered Public Accounting Firm –PricewaterhouseCoopers LLP +
- 23.2
- 23.3 Consent of Seward & Kissel LLP\*
- Rule 13a-14(d) / 15d-14(a)\_Certification of Principal Executive Officer +
- 31.1

- Rule 13a-14(d) /  
31.2 15d-14(a)\_Certification  
of Principal Financial  
Officer +  
Section 1350
- 32.1 Certification of Principal  
Executive Officer ++  
Section 1350
- 32.2 Certification of Principal  
Financial Officer ++  
The following materials  
from Eagle Bulk  
Shipping Inc.'s Annual  
Report on Form 10-K for  
the fiscal year ended  
December 31, 2015,  
formatted in eXtensible  
Business Reporting  
Language (XBRL): (i)  
Consolidated Balance  
Sheets at December  
31,2015, 2014 and 2013;  
(ii) Consolidated  
Statements of Operations  
for the years ended  
December 31, 2015,  
2014 and 2013; (iii)  
101. Consolidated Statements  
of Comprehensive Loss  
for the years ended  
December 31, 2015,  
2014 and 2013; (iv)  
Consolidated Statements  
of Changes in  
Stockholders' Equity for  
the years ended  
December 31, 2015,  
2014 and 2013; (v)  
Consolidated Statements  
of Cash Flows for the  
years ended December  
31, 2015, 2014 and 2013;  
and (vi) the Notes to  
Consolidated Financial  
Statements\*

+ Filed herewith.

++ Furnished herewith.

\* Previously filed.

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**SIGNATURES**

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

**EAGLE BULK SHIPPING  
INC.**

By: /s/ Frank De Costanzo  
Name: Frank De Costanzo  
Title: Chief Financial Officer

December 30, 2016

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**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Eagle Bulk Shipping Inc.

We have audited the accompanying consolidated balance sheet of Eagle Bulk Shipping Inc. and subsidiaries (the "Company") as of December 31, 2015, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements 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 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 audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Eagle Bulk Shipping Inc. and subsidiaries as of December 31, 2015, and the results of their operations and their cash flows for the year then ended, 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, 2015, 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 30, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

New York, New York

March 30, 2016

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Eagle Bulk Shipping Inc.

In our opinion, the consolidated statements of operations, comprehensive loss, changes in stockholders' equity and cash flows for the period from January 1, 2014 to October 15, 2014, and for the year ended December 31, 2013 present fairly, in all material respects, the results of operations and of cash flows of Eagle Bulk Shipping Inc. and its subsidiaries (Predecessor) for the period from January 1, 2014 to October 15, 2014 and for the year ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company filed a petition on August 6, 2014 with the United States Bankruptcy Court for the Southern District of New York for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Company's Restructuring Support Agreement ("RSA") was substantially consummated on October 15, 2014 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting.

/s/ PricewaterhouseCoopers LLP

Stamford, Connecticut

April 2, 2015

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Eagle Bulk Shipping Inc.

In our opinion, the accompanying consolidated balance sheet as of December 31, 2014 and the related consolidated statement of operations, of comprehensive loss, of equity (deficit) and of cash flows for the period from October 16, 2014 through December 31, 2014 present fairly, in all material respects, the financial position of Eagle Bulk Shipping Inc. and its subsidiaries (Successor) at December 31, 2014 and the results of their operations and their cash flows for the period from October 16, 2014 through December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. 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 audit. We conducted our audit of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the United States Bankruptcy Court for the Southern District of New York confirmed the Company's Restructuring Support Agreement ("RSA") on September 22, 2014. Confirmation of the plan resulted in the discharge of all claims against the Company that arose before October 15, 2014 and substantially alters rights and interests of equity security holders as provided for in the plan. The plan was substantially consummated on October 15, 2014 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh start accounting as of October 16, 2014.

/s/ PricewaterhouseCoopers LLP

Stamford, Connecticut

April 2, 2015

**EAGLE BULK SHIPPING INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	<b>Successor</b>	<b>Successor</b>
	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$24,896,161	\$39,975,287
Accounts receivable	7,076,528	14,731,301
Prepaid expenses	3,232,763	3,212,930
Inventories	5,574,406	5,749,273
Investment	-	8,300,740
Other assets	245,569	4,621,312
Total current assets	41,025,427	76,590,843
<b>Noncurrent assets:</b>		
Vessels and vessel improvements, at cost, net of accumulated depreciation of \$49,148,080 and \$8,766,830, respectively	733,960,731	834,052,684
Other fixed assets, net of accumulated amortization of \$159,827 and \$118,232, respectively	220,509	230,805
Restricted cash	141,161	66,243
Deferred drydock costs	11,146,009	1,960,792
Deferred financing costs	435,816	550,753
Other assets	109,287	424,702
Total noncurrent assets	746,013,513	837,285,979
<b>Total assets</b>	<b>\$787,038,940</b>	<b>\$913,876,822</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$8,216,473	\$11,663,697
Accrued interest	401,232	531,918
Other accrued liabilities	10,827,075	9,142,229
Fair value below contract value of time charters acquired	1,283,926	1,648,740
Unearned charter hire revenue	1,560,402	2,389,595
Current portion of long-term debt	15,625,000	15,625,000
Total current liabilities	37,914,108	41,001,179
<b>Noncurrent liabilities:</b>		
Long-term debt	226,013,307	204,106,928
Other liabilities	672,941	
Fair value below contract value of time charters acquired	4,094,122	4,678,049
Total noncurrent liabilities	230,780,370	208,784,977
<b>Total liabilities</b>	<b>268,694,478</b>	<b>249,786,156</b>
Commitment and contingencies		
<b>Stockholders' equity:</b>		

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Common stock, \$.01 par value, 150,000,000 shares authorized, 37,666,059 and 37,504,541 shares issued and outstanding as of December 31, 2015 and 2014, respectively	376,661	375,045
Additional paid-in capital	677,813,494	675,264,349
Accumulated Deficit	(159,845,693)	(11,548,728 )
Total stockholders' equity	518,344,462	664,090,666
Total liabilities and stockholders' equity	<b>\$787,038,940</b>	<b>\$913,876,822</b>

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

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**EAGLE BULK SHIPPING INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Successor</b>	Period from	<b>Predecessor</b>	
	For the year ended	October 16, To	January 1, To	For the Year ended
	December 31, 2015	December 31, 2014	October 15, 2014	December 31, 2013
Revenues, net	\$103,856,876	\$31,089,603	\$123,150,214	\$202,439,528
Voyage expenses	23,832,457	6,262,082	14,703,850	26,423,447
Vessel expenses	92,439,549	18,579,204	76,393,855	84,424,790
Charter hire expenses	4,125,766	1,042,760	188,233	-
Depreciation and amortization	43,000,741	8,781,846	61,238,760	76,947,400
General and administrative expenses	19,426,518	4,685,382	13,964,444	16,026,634
Loss on sale of vessel	5,696,675	-	-	-
Vessel impairment	50,872,734	-	-	-
Gain on time charter agreement termination	-	-	-	(32,526,047 )
Total operating expenses	\$239,394,440	39,351,274	\$166,489,142	171,296,224
Operating income (loss)	\$(135,537,564)	(8,261,671 )	\$(43,338,928	31,143,304
Interest expense	11,927,422	2,359,326	60,737,471	82,907,627
Interest income	(6,222 )	(2,238 )	(8,352 )	(75,273 )
Other expense	838,201	884,427	-	18,832,333
Reorganization items, net	-	45,542	427,735,210	-
Total other expense (income), net	12,759,401	3,287,057	488,464,329	101,664,687
Net loss	\$(148,296,965)	\$(11,548,728)	\$(531,803,257)	\$(70,521,383 )
Weighted average shares outstanding:				
Basic	37,617,358	37,504,541	17,857,408	16,983,913
Diluted	37,617,358	37,504,541	17,857,408	16,983,913
Per share amounts:				
Basic net loss	\$(3.94 )	\$(0.31 )	\$(29.78 )	\$(4.15 )
Diluted net loss	\$(3.94 )	\$(0.31 )	\$(29.78 )	\$(4.15 )

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



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**EAGLE BULK SHIPPING INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	<b>Successor</b>	<b>October 16, to December 31, 2015</b>	<b>Predecessor</b>	<b>January 1, to October 15, 2014</b>	<b>December 31, 2013</b>
Net loss		\$(148,296,965)	\$(11,548,728)	\$(531,803,257)	\$(70,521,383)
Other comprehensive income (loss):					
Change in unrealized loss on available for sale investment				(231,995 )	(18,066,724)
Realized gain on available for sale investment					18,832,333
Net unrealized gain on derivatives					2,243,833
Total other comprehensive Income (loss)				(231,995 )	3,009,442
Comprehensive loss		\$(148,296,965)	\$(11,548,728)	\$(532,035,252)	\$(67,511,941)

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

## EAGLE BULK SHIPPING INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Share	Common Shares Amount	Additional paid-in Capital	Net Loss	Accumulated Deficit	Other Comprehensive Loss	Total Stockholder Equity
<b>Balance at December 31, 2012 - (Predecessor)</b>	<b>16,638,092</b>	<b>166,378</b>	<b>762,313,030</b>		<b>(165,275,389)</b>	<b>(3,009,442 )</b>	<b>594,194,577</b>
Net Loss	—	—	—	(70,521,383 )	(70,521,383 )	—	(70,521,383 )
Change in unrealized gain on investment	—	—	—	—	—	(18,066,724 )	(18,066,724 )
Realized loss on investment	—	—	—	—	—	18,832,333	18,832,333
Net unrealized gain on derivatives	—	—	—	—	—	2,243,833	2,243,833
Vesting of restricted shares, net of shares withheld for employee tax	114,276	1,143	(353,449 )	—	—	—	(352,306 )
Exercise of Warrants	30,703	307	(307 )	—	—	—	—
Non-cash compensation	—	—	4,864,534	—	—	—	4,864,534
<b>Balance at December 31, 2013 - (Predecessor)</b>	<b>16,783,071</b>	<b>167,828</b>	<b>766,823,808</b>		<b>(235,796,772)</b>	<b>—</b>	<b>531,194,866</b>
Net Loss	—	—	—	(531,803,257)	(531,803,257)	—	(531,803,257)
Change in unrealized loss on investment	—	—	—	—	—	\$(231,995 )	(231,995 )
Exercise of Warrants	1,770,877	17,709	(17,709 )	—	—	—	—
Non-cash compensation	—	—	1,072,383	—	—	—	1,072,383
Cancellation of Predecessor common stock	(18,553,948)	(185,537)	(767,878,482)	—	—	(768,064,019)	—

Elimination of Predecessor accumulated deficit					767,600,029		767,600,029
Elimination of Predecessor other comprehensive income						231,995	231,995
Issuance of new equity interest in connection with emergence from Chapter 11	37,504,541	375,045	673,142,844				673,517,88
<b>Balance at October 15, 2014 - (Predecessor)</b>	<b>37,504,541</b>	<b>375,045</b>	<b>673,142,844</b>		<b>—</b>	<b>—</b>	<b>673,517,88</b>
<b>Balance at October 16, 2014(Successor)</b>	<b>37,504,541</b>	<b>375,045</b>	<b>673,142,844</b>		<b>—</b>	<b>—</b>	<b>673,517,88</b>
Net loss					\$(11,548,728 )	\$(11,548,728 )	\$(11,548,728 )
Non-cash compensation			2,121,505				2,121,505
<b>Balance at December 31, 2014(Successor)</b>	<b>37,504,541</b>	<b>\$375,045</b>	<b>\$675,264,349</b>	<b>—</b>	<b>\$(11,548,728 )</b>	<b>—</b>	<b>\$664,090,66</b>
Net Loss	—	—	—	(148,296,965)	(148,296,965)	—	(148,296,965)
Vesting of restricted shares, net of shares withheld for employee tax	161,518	1,616	(1,420,844 )	—	—	—	(1,419,228 )
Non-cash compensation	—	—	3,969,989	—	—	—	3,969,989
<b>Balance at December 31, 2015(Successor)</b>	<b>37,666,059</b>	<b>\$376,661</b>	<b>\$677,813,494</b>	<b>—</b>	<b>\$(159,845,693)</b>	<b>—</b>	<b>\$518,344,46</b>

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

**EAGLE BULK SHIPPING INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Successor</b>	Period from	<b>Predecessor</b>	
		October 16,	Period from	
	Year ended	To	January 1	Year ended
	December 31,	December	October 15,	December
	2015	31, 2014	2014	31, 2013
<b>Cash flows from operating activities:</b>				
Net loss	\$(148,296,965)	\$(11,548,728)	\$(531,803,257)	\$(70,521,383)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>				
Depreciation	41,044,397	8,781,846	58,717,282	75,003,864
Amortization of deferred drydocking costs	1,956,344	-	2,521,478	1,943,536
Amortization of deferred financing costs	114,937	24,247	17,028,544	8,032,925
Amortization of discount on Exit Facility	2,031,379	231,928		
Reorganization items and fresh-start reporting adjustments, net	-	-	402,423,980	-
Amortization of fair value below contract value of time charter acquired	(948,741 )	(235,709 )	-	(10,280,559)
Payment-in-kind interest on debt			17,858,132	29,177,969
Net loss on sale of vessel	5,696,675	-	-	-
Impairment of vessels	50,872,734	-	-	-
Investment and other current assets	-	-	-	(4,925,952 )
Realized loss from sale of investment	462,394	884,426	-	18,832,333
Gain on time charter agreement termination	-	-	-	(29,033,503)
Allowance for accounts receivable	-	-	2,289,509	
Non-cash compensation expense	3,969,989	2,121,505	1,072,383	4,864,534
Drydocking expenditures	(11,141,561 )	(1,960,792 )	(3,802,795 )	(3,637,842 )
<i>Changes in operating assets and liabilities:</i>				
Accounts receivable	7,654,773	(1,007,975 )	(4,815,734 )	(1,893,143 )
Other assets	4,691,158	1,086,391	(5,880,809 )	(2,923,526 )
Prepaid expenses	(19,833 )	43,355	1,710,579	(1,956,271 )
Inventories	174,867	2,919,530	941,469	2,472,853
Accounts payable	(3,447,224 )	(1,903,888 )	7,145,279	(3,812,701 )
Accrued interest	(130,686 )	516,849	14,964,109	(2,276,866 )
Accrued expenses	2,357,787	(4,342 )	2,935,346	(7,286,917 )
Deferred revenue	-	-	-	(3,766,413 )
Unearned revenue	(829,193 )	(227,824 )	(2,770,425 )	1,632,678
<b>Net cash used in operating activities</b>	(43,786,769 )	(279,181 )	(19,464,930 )	(354,384 )
<b>Cash flows from investing activities:</b>				
Vessel Improvements and other fixed assets	(1,747,099 )	(194,514 )	(291,244 )	(92,100 )
Proceeds from sale of Investment	7,838,346	4,400,278	-	2,272,801

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Proceeds from sale of vessel	4,235,542	-	-	-
Purchase of other fixed assets	-	-	(199,421 )	(73,068 )
Changes in restricted cash	(74,918 )	-	-	209,813
<b>Net cash provided by/(used in) investing activities</b>	<b>10,251,871</b>	<b>4,205,764</b>	<b>(490,665 )</b>	<b>2,317,446</b>
<b>Cash flows from financing activities:</b>				
Debtor-In-Possession Loan	-	-	25,000,000	-
Repayment of Debtor-In-Possession Loan	-	-	(25,000,000 )	-
Long-Term borrowings	-	-	219,500,000	-
Repayment of Term Loan	(19,625,000 )	-	(182,603,425)	-
Proceeds from Revolver Loan	40,000,000	-	-	-
Financing costs paid to Lender	(500,000 )	-	-	-
Deferred financing costs	-	-	(575,000 )	(48,000 )
Cash used to settle net share equity awards	(1,419,228 )	-	-	(352,306 )
<b>Net cash provided by/(used in) financing activities</b>	<b>18,455,772</b>	<b>-</b>	<b>36,321,575</b>	<b>(400,306 )</b>
Net increase/(decrease) in cash and cash equivalents	(15,079,126 )	3,926,583	16,365,980	1,562,756
Cash and cash equivalents at beginning of period	39,975,287	36,048,704	19,682,724	18,119,968
<b>Cash and cash equivalents at end of period</b>	<b>\$24,896,161</b>	<b>\$39,975,287</b>	<b>\$36,048,704</b>	<b>\$19,682,724</b>
<b>Supplemental cash flow information:</b>				
Cash paid during the period for Interest	\$9,911,793	\$1,586,303	\$10,886,687	\$47,973,599

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

**EAGLE BULK SHIPPING INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. General Information:**

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

Each of the Company's vessels serve the same type of customer, have similar operation 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 which is engaged in the ocean transportation of drybulk cargoes worldwide through the ownership and operation of drybulk carrier vessels.

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

As of December 31, 2015, the Company owned and operated a modern fleet of 44 oceangoing vessels, 43 Supramax and 1 Handymax, with a combined carrying capacity of 2,404,064 dwt and an average age of approximately 8.4 years. The Company also chartered in a Handylog beginning October 2, 2014 for a period of 7 years.

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

**% of Consolidated Charter Revenue**

	<b>Successor</b>		<b>Predecessor</b>	
	<b>October</b>		<b>January</b>	
	<b>16,</b>		<b>1,</b>	
	<b>To</b>		<b>To</b>	
<b>2015</b>				<b>2013</b>
	<b>December</b>		<b>October</b>	
	<b>31, 2014</b>		<b>15,</b>	
			<b>2014</b>	
<b>Charterer</b>				
Charterer A	-	-	-	15.8%
Charterer B	-	-	10.5%	13.8%
Charterer C*	17.2%	27.7%	17.7%	-

\*Includes charter revenue from a pool that the Company participated.

### Liquidity

As a result of the very challenging market conditions in the dry bulk shipping sector in recent years, the Company has incurred significant losses since 2012, and negative operating cash flow since 2013. In 2014, the Company filed for bankruptcy and emerged from bankruptcy in October 2014. Since emerging from bankruptcy, the Company has continued to incur significant losses. The rate environment continues to be low, and the Company had certain events of default under its credit facility for which its lenders agreed to a forbearance agreements pursuant to a forbearance agreement, as amended regarding such defaults. In March 2016, the Company completed the refinancing discussed below, which mitigated the liquidity issues facing the Company. After the refinancing, the Company's credit line as part of the First Lien Facility, as defined herein, will be available for working capital needs of the Company. However, the drybulk sector continues to experience significant challenges and shipping rates have been very low. There are no assurances that the level of liquidity will be adequate to continue to fund the Company's operating needs, particularly if the dry bulk rate environment continues to operate at historically low levels. If such low rates continue, the Company may be required to sell vessels, or to raise additional funds, although there is no assurance that the sale of any vessels or financing will be available on terms acceptable to the Company, if at all.

### Corporate Reorganization and Refinancing

On March 30, 2016, we entered into a contribution agreement (the "Contribution Agreement") with a newly-formed wholly-owned subsidiary, Eagle Shipping LLC, a limited liability company organized under the laws of the Marshall Islands ("Eagle Shipping") pursuant to which the Company transferred, assigned and contributed to Eagle Shipping, and Eagle Shipping received, accepted and assumed, all of the tangible and intangible assets of the Company (other than the membership interests in Eagle Shipping owned by the Company and certain deposit accounts held by the Company, which deposit account balances were transferred) and all of the liabilities of the Company (the



“Contribution”), including all of the Company’s rights and obligations under the Exit Financing Facility. Immediately following the Contribution, Eagle Shipping became the direct parent company of each of the Company’s previously directly-owned subsidiaries. The Contribution was part of the transactions contemplated by the agreements also entered into on March 30, 2016 and described below, which transactions were consummated on March 30, 2016, after the fulfillment of certain conditions precedent.

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*First Lien Facility*

On March 30, 2016, Eagle Shipping, as borrower, and certain of its subsidiaries that are guarantors under the Exit Financing Facility, as guarantors, entered into an Amended and Restated First Lien Loan Agreement (the “A&R First Lien Loan Agreement”) with the lenders thereunder (the “First Lien Lenders”) and ABN AMRO Capital USA LLC, as agent and security trustee for the lenders. The A&R First Lien Loan Agreement amends and restates the Exit Financing Facility in its entirety, providing for Eagle Shipping to be the borrower in the place of the Company, and further provides for a waiver of any and all events of default occurring as a result of the voluntary OFAC Disclosure. The A&R First Lien Loan Agreement provides for a term loan outstanding in the amount of \$201,468,750 as well as a \$50,000,000 revolving credit facility, of which \$10,000,000 is currently undrawn (the term loan, together with the revolving credit facility, the “First Lien Facility”). The First Lien Facility matures on October 15, 2019. An aggregate fee of \$600,000 was paid to the Agent and First Lien Lenders in connection with the First Lien Facility.

Eagle Shipping’s obligations under the First Lien Facility are secured by a first priority mortgage on each of the vessels currently in the Company’s fleet and such other vessels that it may from time to time include with the approval of the First Lien Lenders, a first assignment of its earnings account, its liquidity account and its vessel-owning subsidiaries’ earnings accounts, a first assignment of all charters with terms that may exceed 18 months, freights, earnings, insurances, requisition compensation and management agreements with respect to the vessels and a first priority pledge of the membership interests of each of Eagle Shipping’s vessel-owning subsidiaries. In the future, Eagle Shipping may grant additional security to the lenders from time to time.

The First Lien Facility contains financial covenants requiring Eagle Shipping, among other things, to ensure that the aggregate market value of the vessels in the Company’s fleet (plus the value of certain additional collateral) at all times on or after July 1, 2017 does not fall below 100% in the third and fourth quarters of 2017, 110% in 2018 and 120% in 2019 of the aggregate principal amount of debt outstanding (subject to certain adjustments) under the First Lien Facility and maintain minimum liquidity of not less than the greater of (i) \$8,140,000 and (ii) \$185,000 per vessel in the Company’s fleet. In addition, the First Lien Facility also imposes operating restrictions on Eagle Shipping including limiting Eagle Shipping’s ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; acquire and sell capital assets (including vessels); and merge or consolidate with, or transfer all or substantially all of Eagle Shipping’s assets to, another person. Upon entering into the First Lien Facility, Eagle Shipping made a principal payment with respect to the term loan of \$11,718,750. For the fiscal quarters ending June 30, 2017 and June 30, 2018 and the fiscal years ending December 31, 2017 and 2018, Eagle Shipping is obligated to repay the First Lien Facility semi-annually in an amount equal to 75% of Eagle Shipping’s excess cash flow for the preceding semi-annual period, as defined in the First Lien Facility, subject to a cap of such mandatory prepayments of \$15,625,000 in any fiscal year. Thereafter, Eagle Shipping will make payments of \$3,906,250 on January 15, 2019, April 15, 2019, and July 15, 2019, and a final balloon payment equal to the remaining amount outstanding under the First Lien Facility on October 15, 2019.

The First Lien Facility also includes customary events of default, including those relating to a failure to pay principal or interest, a breach of covenant, representation or warranty, a cross-default to other indebtedness and non-compliance

with security documents. Further, there would be a default if any event occurs or circumstances arise in light of which, in the First Lien Lenders' judgment, there is significant risk that Eagle Shipping is or would become insolvent. Eagle Shipping is not permitted to pay dividends. Indebtedness under the First Lien Facility may also be accelerated if Eagle Shipping experiences a change of control.

### *Second Lien Facility*

On March 30, 2016, Eagle Shipping, as borrower, and certain of its subsidiaries, as guarantors, entered into a Second Lien Loan Agreement (the "Second Lien Loan Agreement") with certain lenders (the "Second Lien Lenders") and Wilmington Savings Fund Society, FSB as agent for the Second Lien Lenders (the "Second Lien Agent"). The Second Lien Lenders include certain of the Company's existing shareholders, , as well as other investors. The Second Lien Loan Agreement provides for a term loan in the amount of \$60,000,000 (the "Second Lien Facility"), and matures on January 14, 2020 (the date this is 91 days after the original stated maturity of the First Lien Facility). The term loan under the Second Lien Facility bears interest at a rate of LIBOR plus 14.00% per annum (with a 1.0% LIBOR floor) or the Base Rate (as defined in the Second Lien Loan Agreement) plus 13.00% per annum, paid in kind quarterly in arrears. The Company will use the proceeds from the Second Lien Facility to pay down amounts outstanding in respect of the revolving credit facility under the Exit Financing Facility, pay three quarters of amortization payments under the Exit Financing Facility, pay transaction fees in connection with the entry into the A&R First Lien Loan Agreement and the Second Lien Loan Agreement, and add cash to the balance sheet, which cash would be deposited in an account subject to the security interest and control of the First Lien Lenders and the Second Lien Lenders.

Eagle Shipping's obligations under the Second Lien Facility are secured by a second priority lien on the same collateral securing Eagle Shipping's obligations under the First Lien Facility, subject to the terms of the Intercreditor Agreement (as defined below). Eagle Shipping may grant additional security to the Second Lien Lenders from time to time in the future, subject to the terms of the Intercreditor Agreement.

The Second Lien Facility contains financial covenants substantially similar to those in the First Lien Facility, subject to standard cushions, requiring Eagle Shipping, among other things, to ensure that the aggregate market value of the vessels in the Company's fleet (plus the value of certain additional collateral) at all times on or after July 1, 2017 does not fall below 100% in the third and fourth quarters of 2017, 110% in 2018 and 120% in 2019 of the aggregate principal amount of debt outstanding (subject to certain adjustments) under the Second Lien Facility (provided that Eagle Shipping will not be required to comply with such covenant until the First Lien Facility has been paid in full) and to maintain a minimum liquidity of not less than the greater of (i) \$6,512,000 and (ii) \$148,000 per vessel in Eagle Shipping's fleet. In addition, the Second Lien Facility also imposes operating restrictions on Eagle Shipping including limiting Eagle Shipping's ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; acquire and sell capital assets (including vessels); and merge or consolidate with, or transfer all or substantially all of Eagle Shipping's assets to, another person. Eagle Shipping may not prepay the Second Lien Facility while amounts or commitments under the First Lien Facility remain outstanding.

The Second Lien Facility also includes customary events of default, including those relating to a failure to pay principal or interest, a breach of covenant, representation or warranty, a cross-default to other indebtedness and

non-compliance with security documents. Further, there would be a default if any event occurs or circumstances arise in light of which, in the Second Lien Lenders' judgment, there is significant risk that Eagle Shipping is or would become insolvent. Eagle Shipping is not permitted to pay dividends. Indebtedness under the Second Lien Facility may also be accelerated if Eagle Shipping experiences a change of control.

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In connection with the entry into the Second Lien Loan Agreement, on March 30, 2016, the Company issued up to 344,587,536 shares of common stock to the Second Lien Lenders pro rata based on their participation in the Second Lien Facility, which Second Lien Lenders will receive shares equivalent to 90% of the outstanding common stock of the Company after such issuance. The issuance of the shares of common stock is being made pursuant to the exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”). The shares are expected to be delivered in two stages to the Second Lien Lenders that were lenders upon the execution of the Second Lien Facility: (1) shares in the amount of up to 7,619,213 representing approximately 19.9% of the Company’s current share count are expected to be delivered after the approval by NASDAQ of the listing of such shares pursuant to a supplemental listing application; and (2) as approved by the Company’s board, the Company intends to hold a shareholder vote in compliance with NASDAQ Marketplace Rule 5635(d) to permit the issuance to the Second Lien Lenders of the additional common stock equal to or in excess of 20% of the Company’s share count, and the remainder of shares are expected to be delivered after this approval by the shareholders. In addition, the Company intends to file a proxy statement with the SEC in connection with a special meeting of the Company’s stockholders to vote on proposals seeking approval of this issuance, an increase in the amount of authorized shares of common stock sufficient for the issuance of the remaining shares to the Second Lien Lenders after shareholder approval as well as a reverse stock split.

#### *Intercreditor Agreement*

Concurrently with Eagle Shipping’s entry into the A&R First Lien Loan Agreement and the Second Lien Loan Agreement, and in connection with the granting of security interest in the collateral under those agreements, Eagle Shipping entered into an Intercreditor Agreement, dated as of March 30, 2016 (the “Intercreditor Agreement”) among Eagle Shipping, the First Lien Agent and the Second Lien Agent. The Intercreditor Agreement governs the relative rights and priorities of the secured parties in respect of liens on the assets of Eagle Shipping and its subsidiaries securing the First Lien Facility and the Second Lien Facility.

The Company anticipates that after the reorganization, our availability under the First Lien Facility financial, together with cash generated from operations will be sufficient to fund the operations of our fleet, including our working capital, throughout 2016. However, if charter rates will operate at historically low levels, there is no assurance that our liquidity will be adequate to fund the Company’s operating needs.

#### *Bankruptcy Filing*

On August 6, 2014, the Company entered into a restructuring support agreement (the “Restructuring Support Agreement”) with lenders constituting the “Majority Lenders” (as such term is defined in the Credit Agreement) under its Credit Agreement (the “Consenting Lenders”), which contemplated a plan of reorganization through a balance sheet restructuring of the Company’s obligations upon the terms specified therein. On the same day, the Company filed a voluntary prepackaged case (the “Prepackaged Case”) under chapter 11 of title 11 of the United States Code (the

“Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Court”). The Prepackaged Case was filed only in respect of the parent company, Eagle Bulk Shipping Inc., but not any of its subsidiaries. Through the Prepackaged Case, the Company sought to implement a balance sheet restructuring pursuant to the terms of its prepackaged plan of reorganization filed with the Court (the “Plan”). The Company continued to operate its business as a “debtor in possession” under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court.

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

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

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

On September 22, 2014, the Court entered an order (the “Confirmation Order”) confirming the Plan. On October 15, 2014 (the “Effective Date”), the Company completed its balance sheet restructuring and emerged from Chapter 11 through a series of transactions contemplated by the Plan, and the Plan became effective pursuant to its terms.

Key components of the Plan included:

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

The cancellation of all outstanding equity interests in the Company as of the Effective Date, with the current holders of such equity interests (other than the Consenting Lenders on account of certain warrants held by them or shares of common stock received upon conversion of such warrants ) receiving (i) shares of the reorganized Company’s common stock (“New Eagle Common Stock”) equal to 0.5% of the total number of shares of New Eagle Common Stock issued and outstanding on the Effective Date (subject to dilution by the New Eagle Equity Warrants (as

defined below) and the Management Incentive Program (as defined below)), and (ii) an aggregate of 3,045,327 New Eagle Equity Warrants. Each New Eagle Equity Warrant will have a 7-year term (commencing on the Effective Date) and will be exercisable for one share of New Eagle Common Stock (subject to adjustment as set forth in the New Eagle Equity Warrant Agreement and dilution by the Management Incentive Program).

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

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

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

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

### Exit Financing Facility

On October 9, 2014, Eagle Bulk Shipping Inc., as borrower, and certain of its subsidiaries, as guarantors, entered into the Exit Financing Facility with certain lenders (the “Exit Lenders”). The Exit Financing Facility is in the amount of \$275 million, including a \$50 million revolving credit facility of which \$40 million has been drawn as of December 31, 2015, and matures on October 15, 2019. A fee of \$5.5 million was paid to the lenders in connection with the Exit Financing Facility. Amounts drawn under the Exit Financing Facility bear interest at a rate of LIBOR plus a margin ranging between 3.50% and 4.00% per annum. The revolving credit facility is subject to an annual commitment fee of 40% of the margin on the undrawn portion of the facility. The Exit Financing Facility is described further in Note 7 below.

### Registration Rights Agreement

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

### New Eagle Equity Warrant Agreement

On the Effective Date, and in accordance with the Plan, the Company issued new equity warrants (the “New Eagle Equity Warrants”) were issued pursuant to the terms of the New Eagle Equity Warrant Agreement (the “New Eagle Equity Warrant Agreement”). Each New Eagle Equity Warrant has a 7-year term (commencing on the Effective Date) and are exercisable for one share of New Eagle Common Stock (subject to adjustment as set forth in the New Eagle Equity Warrant Agreement and dilution by the Management Incentive Program). The New Eagle Equity Warrants are exercisable at an exercise price of \$27.82 per share (subject to adjustment as set forth in the New Eagle Equity Warrant Agreement). The New Eagle Equity Warrant Agreement contains customary anti-dilution adjustments in the event of any stock split, reverse stock split, stock dividend, reclassification, dividend or other distributions (including, but not limited to, cash dividends), or business combination transaction.

### *FRESH START ACCOUNTING*

### Financial Statement Presentation



Upon the Company's emergence from the Chapter 11 Cases on October 15, 2014, the Company adopted fresh-start accounting in accordance with provisions of ASC 852, *Reorganizations* ("ASC 852"). Upon adoption of fresh-start accounting, the Company's assets and liabilities were recorded at their fair value as of October 15, 2014, the fresh-start reporting date. The fair values of the Company's assets and liabilities in conformance with ASC 805, *Business Combinations*, as of that date differed materially from the recorded values of its assets and liabilities as reflected in its historical consolidated financial statements. In addition, the Company's adoption of fresh-start accounting may materially affect its results of operations following the fresh-start reporting date, as the Company will have a new basis in its assets and liabilities. Consequently, the Company's historical financial statements may not be reliable indicators of its financial condition and results of operations for any period after it adopted fresh-start accounting. As a result of the adoption of fresh-start reporting, the Company's balance sheets and consolidated statements of operations subsequent to October 15, 2014 will not be comparable in many respects to our consolidated balance sheets and consolidated statements of operations prior to October 15, 2014.

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

Fresh-start accounting also requires that the reporting entity allocate the reorganization value to its assets and liabilities in relation to their fair values upon emergence from Chapter 11. The Company's valuation of the reorganized Company dated as of July 15, 2014, which was included in the Disclosure Statement related to the Plan, the post-confirmation estimated enterprise value of the Company to be in a range between \$850 million and \$950 million which was approved by the court, given the approximately \$225 million of debt projected to be on the balance sheet of the Company under the Exit Financing Facility on the Effective Date, the implied equity value of the Company was estimated at approximately \$625 million to \$725 million. As part of determining the reorganization value on October 15, 2014, the Company estimated the enterprise value of the Successor Company to be \$857 million and the reorganization value to be \$925 million. The reorganization value includes the enterprise value, cash, current liabilities and fair value below contract value of time charters contract.

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

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

	<b>Predecessor</b>	<b>Reorganization</b>	<b>Fresh Start</b>	<b>Successor</b>
	<b>At October 15,</b>	<b>Adjustments<sup>(1)</sup></b>	<b>Adjustments</b>	<b>At October</b>
	<b>2014</b>			<b>16,</b>
				<b>2014</b>
<b>ASSETS:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$28,144,072	\$7,904,632	\$-	\$36,048,704
Accounts receivable, net	13,723,326	-	-	13,723,326
Prepaid expenses	3,650,965	139,537	(534,217 ) (f)	3,256,285
Inventories	8,668,803	-	-	8,668,803
Investment	13,585,444	-	-	13,585,444
Other assets	5,704,808	-	-	5,704,808
Total current assets	73,477,418	8,044,169	(534,217 ) (k)	80,987,370
<b>Noncurrent assets:</b>				
Vessels and vessel improvements	1,581,232,547	-	(738,607,547) (n)	842,625,000
Other fixed assets	457,510	-	(211,688 ) (m)	245,822
Restricted cash	66,243	-	-	66,243
Deferred drydock costs	5,108,002	-	(5,108,002 ) (l)	-
Deferred financing costs	300,000	275,000	-	575,000
Other assets	2,943,540	-	(2,515,944 ) (k)	427,596
Total noncurrent assets	1,590,107,842	275,000	(746,443,181)	843,939,661
<b>Total assets</b>	<b>\$1,663,585,260</b>	<b>\$8,319,169</b>	<b>\$(746,977,398)</b>	<b>\$924,927,031</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>				
<b>Current liabilities not subject to compromise:</b>				
Accounts payable	\$13,567,585	\$-	\$-	\$13,567,585
Accrued interest	121,666	(106,597 ) (d)	-	15,069
Other accrued liabilities	12,617,380	(3,470,809 ) (g)	-	9,146,571
Unearned charter hire revenue	2,617,419	-	-	2,617,419
Fair value below contract value	-	-	1,550,382 (o)	1,550,382
Debt-In-Possession loan	25,000,000	(25,000,000 ) (b)	-	-
Term loans	-	15,625,000 (a)	-	15,625,000
Total current liabilities not subject to compromise	53,924,050	(12,952,406 )	1,550,382	42,522,026
<b>Non-Current liabilities not subject to compromise:</b>				
Long-term debt	-	203,875,000 (a)	-	203,875,000
Fair value below contract value	-	-	5,012,116 (o)	5,012,116
	-	203,875,000	5,012,116	208,887,116

Total non-current liabilities not  
subject to compromise

**Liabilities subject to compromise:**

Term loans	1,129,478,741	(1,129,478,741)(c),(h)	-	-
Payment-in-kind loans	62,423,569	(62,423,569)(i)	-	-
Accrued interest	15,102,925	(15,102,925)(j)	-	-
Total Liabilities subject to compromise	1,207,005,235	(1,207,005,235)	-	-
<b>Total liabilities</b>	1,260,929,285	(1,016,082,641)	6,562,498	251,409,142
Commitment and contingencies				
<b>Stockholders' equity:</b>				
Predecessor Preferred stock	-	-	-	-
Predecessor Common stock	185,537	(185,537)	-	-
Predecessor Additional paid-in capital	767,878,482	(767,878,482)	-	-
Successor Common stock	-	375,045	-	375,045
Successor Additional paid-in capital	-	673,142,844	-	673,142,844
Retained (deficit) earnings	(365,176,049)	1,118,947,940	(753,771,891)	-
Accumulated other comprehensive loss	(231,995)	-	231,995	-
Total stockholders' equity	402,655,975	1,024,401,810	(753,539,896)	673,517,889
<b>Total liabilities and stockholders' equity</b>	\$1,663,585,260	\$8,319,169	\$(746,977,398)	\$924,927,031

(1) Reorganization adjustments: This column represents amounts recorded on the Effective Date for the implementation of the Plan, including the settlement of Liabilities subject to comprise and related payments, the issuance of new shares of common and new warrants, repayment of DIP facility and cancellation of Predecessor's common stock.

\*Cash proceeds at emergence (net of cash payments)

Cash at hand before emergence	\$28,144,072	
Amount borrowed under the exit financing facility	225,000,000	(a)
Less discount on exit financing	(5,500,000)	(a)
Repayment of DIP facility	(25,000,000)	(b)
Repayment of old debt	(182,603,425)	(c)
Repayment of the accrued interest on DIP facility	(106,597)	(d)
Payment of deferred financing costs on exit financing	(275,000)	(e)
Payment of administrative fees, insurance expenses	(139,537)	(f)
Payment of legal fees relating to restructuring	(3,470,809)	(g)
Beginning cash balance for the successor	\$36,048,704	

This entry records our exit financing facility of \$225 million less the debt discount of \$5.5 million which is presented net with the debt balance.

\*The below entry records retirement of Liabilities Subject to Compromise, and fresh start accounting adjustments

Settlement of old term loan	\$1,129,478,741	(h)
Settlement of PIK loan	62,423,569	(i)
Settlement of accrued interest on the debt	15,102,925	(j)
Cash settlement of old debt	(182,603,425)	(c)
Issuance of New Eagle Common Stock	(654,306,488)	
Issuance of new warrants	(19,211,401)	
Gain on settlement on Liabilities Subject to Compromise	\$350,883,921	

This entry records a gain of \$350.9 million on extinguishment of the obligations pursuant to implementation of the Plan. On the Effective Date, and in accordance with the Plan, the Company issued 3,045,327 of New Eagle Equity Warrants. Each New Eagle Equity Warrant has a 7-year term and an exercise price of \$27.82 per share. The fair value of the New Eagle Equity Warrant was estimated on the Effective date using the Black-Scholes pricing model. The weighted average assumptions used included a risk free interest rate of 1.79%, an expected stock price volatility factor of 50% and a dividend rate of 0%. The aggregate fair value of the New Eagle Warrants was \$19.2 million on the Effective date.

\*Fresh Start Adjustments

Write down Predecessor Directors' and Officers' insurance	\$(3,050,161)	(k)
Write down of deferred drydocking costs	(5,108,002)	(l)
Write down of leasehold improvements	(211,688)	(m)
Write down of vessel costs and accumulated depreciation	(738,607,547)	(n)
Record fair value of below market time charter contract	(6,562,498)	(o)
Total loss recorded as a result of Fresh Start Accounting	\$(753,539,896)	

This entry records the adjustment for fresh start accounting to report assets and liabilities at their estimated fair value including the write down of vessel, Directors' and Officers' insurance, Deferred drydocking costs and leasehold improvements to its fair value at the effective date. We also recorded a loss of \$6.6 million to reflect the fair value of charter contract below market value at the effective date.

\*Total Gain recorded in Statement of Operations due to Restructuring and fresh start accounting adjustments

Gain on settlement on Liabilities Subject to Compromise	\$350,883,921
Total loss recorded as a result of Fresh Start Accounting	(753,539,896)
Net impact on Retained earnings	\$(402,655,975)

The total impact on Retained earnings reflects the cumulative impact of fresh start adjustments as discussed above. The net loss on fresh start adjustment has been included in Reorganization items, net in the Statement of Operations.

**Note 2. Significant Accounting Policies:**

(a)

**Principles of Consolidation:** The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of Eagle Bulk Shipping Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions were eliminated upon consolidation.

**Use of Estimates:** The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include vessel valuations, residual value of vessels, useful life of vessels and the fair value of derivative instruments. Actual results could differ from those estimates.

**Other Comprehensive loss:** The Company records the fair value of interest rate swaps and foreign currency swaps as an asset or liability on the balance sheet. The effective portion of the swap is recorded in accumulated other comprehensive income. Comprehensive loss is composed of net loss relating to the swaps, unrealized gains or losses associated with the Company's available for sale investment.

**Cash, Cash Equivalents and Restricted Cash:** The Company considers highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less at the time of purchase to be cash equivalents. Restricted Cash includes minimum cash deposits required to be maintained with a bank for loan compliance purposes, an amount of \$141,161 which is collateralizing a letter of credit as of December 31, 2015.

**Accounts Receivable:** Accounts receivable includes receivables from charterers for hire and voyage charterers. At each balance sheet date, all potentially uncollectible accounts are assessed for purposes of determining the appropriate provision for doubtful accounts.

**Insurance Claims:** Insurance claims are recorded on an accrual basis and represent the claimable expenses, net of deductibles, incurred through each balance sheet date, which are expected to be recovered from insurance companies. Any remaining costs to complete the claims are included in accrued liabilities.

**Inventories:** Inventories, which consist of bunkers, are stated at the lower of cost or market. Cost is determined on a first-in, first-out method. Lubes and spares are expensed as incurred.

**Investments:** Prior to December 2015, the Company held an investment in the capital stock of KLC. This investment is designated as Available For Sale (“AFS”) and is reported at fair value, with unrealized gains and losses recorded in shareholders’ equity as a component of accumulated other comprehensive income. The Company classifies the investment as a current or noncurrent asset based on the Company’s intent to hold the investment at each reporting date. Investment gains and losses arise when investments are sold (as determined on a specific identification basis) or are other-than-temporarily impaired. If a decline in the value of an investment below cost is deemed other than temporary, the cost of the investment is written down to fair value, with a corresponding charge to earnings. Factors considered in judging whether an impairment is other than temporary include: the financial condition, business prospects and creditworthiness of the issuer, the relative amount of the decline, our ability and intent to hold the investment until the fair value recovers and the length of time that fair value has been less than cost. There is no investment balance as of December 31, 2015.

**Vessels and vessel improvements, at cost:** Vessels are stated at cost which consists of the contract price and other direct costs relating to acquiring and placing the vessels in service. Major vessel improvements are capitalized and depreciated over the remaining useful lives of the vessels. At October 15, 2014, the Company’s vessels were adjusted to a fair value aggregating \$842,625,000 as part of fresh start accounting.

**Impairment of Long-Lived Assets:** The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, the Company will evaluate the asset for an impairment loss. Measurement of the impairment loss is based on the fair value of the asset as provided by third parties or discounted cash flow analyses. In this respect, management regularly reviews the carrying amount of the vessels in connection with the estimated recoverable amount for each of the Company’s vessels. As of December 31, 2015, we determined that the future undiscounted cash flows did not exceed the net book value on six of our vessels. This is a result of our

intention to divest six of our older vessels in the short term period. As a result, we reduced the carrying value of each vessel to its fair market value as of December 31, 2015 and recorded an impairment charge of \$50,872,734.

*Accounting for Dry-Docking Costs:* The Company follows the deferral method of accounting for dry-docking costs whereby actual costs incurred are deferred and are amortized on a straight-line basis over the period through the date the next dry-docking is required to become due, generally 30 months if the vessels are 15 years old or more and 60 months for the vessels younger than 15 years. Costs deferred as part of the drydocking include direct costs that are incurred as part of the drydocking to meet regulatory requirements. Certain costs are capitalized during dry docking if they are expenditures that add economic life to the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs that are deferred include the shipyard costs, parts, inspection fees, steel, blasting and painting. Expenditures for normal maintenance and repairs, whether incurred as part of the drydocking or not, are expensed as incurred. Unamortized dry-docking costs of vessels that are sold are written off and included in the calculation of the resulting gain or loss in the year of the vessels' sale.

*Deferred Financing Costs:* Fees incurred for obtaining new loans or refinancing existing ones are deferred and amortized to interest expense over the life of the related debt using the effective interest method. Unamortized deferred financing costs are written off when the related debt is repaid or refinanced and such amounts are expensed in the period the repayment or refinancing is made.



**Other fixed assets:** Other fixed assets are stated at cost less accumulated depreciation. Depreciation is based on a (o) straight line basis over the estimated useful life of the asset. Other fixed assets consist principally of leasehold improvements, computers and software and are depreciated over 3-10 years.

**Accounting for Revenues and Expenses:** Revenues generated from time charters and/or revenues generated from (p) profit sharing arrangements are recognized over the term of the respective time charter agreements as service is provided and the profit sharing is fixed and determinable.

Under voyage charters, voyage expenses such as bunkers, port charges, canal tolls, cargo handling operations and brokerage commissions are paid by the Company whereas, under time charters, such voyage costs are paid by the Company's customers. Vessel operating costs include crewing, vessel maintenance, internal and external technical management costs and vessel insurance. All voyage and vessel operating expenses are expensed as incurred on an accrual basis, except for commissions. Commissions are deferred over the related time or voyage charter period to the extent revenue has been deferred since commissions are earned as the Company's revenues are earned. Probable losses on voyages is provided for in full at the time such loss can be estimated.

For the Company's vessels operating in a pool, revenues and voyage expenses are pooled and allocated to each pool's participant under a time charter agreement basis in accordance with an agreed-upon formula. The formula in the pool agreement for allocating gross shipping revenues net of voyage expenses is based on points allocated to participants' vessels based on cargo carrying capacity and other technical characteristics, such as speed and fuel consumption. The selection of charterers, negotiation of rates and collection of related receivables and the payment of voyage expenses, which include the cost of bunkers and port expenses, are the responsibility of the pool. The operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. The pool may enter into contracts that earn either voyage charter revenue or time charter revenue. Since the members of the pool share in the revenue less voyage expenses generated by the entire group of vessels in the pool, and the pool operates in the spot market, the revenue earned by these vessels is subject to the fluctuations of the spot market. The Company recognizes revenue from this pool arrangement based on its portion of the net distributions reported by the pool, which represents the net voyage revenue of the pool after voyage expenses and pool manager fees. The pool follows the same revenue recognition principles, as applied by the Company, in determining shipping revenues and voyage expenses, including recognizing revenue only after a charter has been agreed to by both the pool and the customer, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage.

**Deferred Revenue:** Deferred revenue includes cash received prior to the balance sheet date for which all criteria (q) to recognize as revenue have not been met, including any deferred revenue resulting from charter agreements providing for varying rates, which are accounted for on a straight line basis.

**Unearned Charter Hire Revenue:** Unearned charter hire revenue represents cash received from charterers prior to (r) the time such amounts are earned. These amounts are recognized as revenue as services are provided in future periods.

(s) **Repairs and Maintenance:** All repair and maintenance expenses are expensed as incurred and are recorded in Vessel Expenses.

**Protection and Indemnity Insurance:** The Company's Protection and Indemnity Insurance is subject to additional (t) premiums referred to as "back calls" or "supplemental calls" which are accounted for on an accrual basis and are recorded in Vessel Expenses.

**Earnings Per Share:** Basic earnings per share is computed by dividing the net income or loss by the weighted (v) average number of common shares outstanding during the period. Diluted earnings per share reflects the impact of stock options, warrants and restricted stock unless their impact is antidilutive.

**Interest Rate Risk Management:** The Company is exposed to the impact of interest rate changes. The Company's (x) objective is to manage the impact of interest rate changes on earnings and cash flows of its borrowings. The Company may use interest rate swaps to manage net exposure to interest rate changes related to its borrowings.

**Federal Taxes:** The Company is a Republic of the Marshall Islands Corporation. The Company does not believe (y) its operations will qualify for Sec 883 exemption and therefore will be subject to United States federal taxes on United States source revenue. Such taxes amounting to \$0.3 million are included as a component of voyage expenses.

#### ***Impact of Recently Issued Accounting Standards***

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, and shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

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

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

In August 2015, the FASB issued ASU 2015-15, "Interest—Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements." ASU 2015-15 amends Subtopic 835-30 to include that the SEC would not object to the deferral and presentation of debt issuance costs as an asset and subsequent amortization of debt issuance costs over the term of the line-of-credit arrangement, whether or not there are any outstanding borrowings on the line-of-credit arrangement. This guidance is effective for fiscal years (and interim reporting periods within fiscal years) beginning after December 15, 2015. When adopted, approximately \$0.4 million of costs currently classified as deferred financing costs will be retrospectively reclassified as a reduction of the reported long-term debt balance.

In July 2015, the FASB issued ASU No. 2015-11, "Simplifying the Measurement of Inventory". The new guidance specifies that the inventory be measured at the lower of cost and net realizable value. The amendment would apply prospectively and would be effective for annual reporting periods beginning after December 15, 2016 and interim reporting periods within annual reporting periods after December 15, 2017. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. ASU 2016-02 is intended to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In order to meet that objective, the new standard requires recognition of the assets and liabilities that arise from leases. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Accounting by lessors will remain largely unchanged from current U.S. generally accepted accounting principles. The new standard is effective for public companies for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. The Company is currently evaluating the effect that adopting this standard will have on our financial statements and related disclosures.

### **Note 3. Vessels**

At December 31, 2015, the Company's operating fleet consisted of 44 drybulk vessels. At October 15, 2014, the Company's vessels were adjusted to a fair value aggregating \$842,625,000 as part of fresh start accounting. The Company estimated the fair values based primarily on valuations obtained from third-party specialists principally utilizing the market value approach.

As of December 31, 2015, we determined that the future undiscounted cash flows did not exceed the net book value on six of our vessels. This is a result of our intention to divest six of our older vessels in the short term period. As a result, we reduced the carrying value of each vessel to its fair market value as of December 31, 2015 and recorded an impairment charge of \$50,872,734.

	<b>Successor</b>
Vessels and Vessel Improvements, at December 31, 2014	\$834,052,684
Purchase of Vessel Improvements	1,662,031
Disposal of Vessel	(9,932,217 )
Depreciation Expense	(40,949,033 )
Vessel impairment charge	(50,872,734 )
Vessels and Vessel Improvements, at December 31, 2015	\$733,960,731

#### **Note 4. Investment**

##### *Korea Line Corporation*

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

During 2014, the KLC shares were volatile and at times valued above and below the Company's book value. Therefore, the Company concluded that as of March 31, 2014, June 30, 2014, September 30, 2014, and October 15, 2014, the change in the fair value of the KLC investment is "temporary," and the Company recorded an unrealized loss of \$2.1 million as of March 31, 2014, an unrealized gain of \$1.4 million as of June 30, 2014, an unrealized gain of \$0.3 million as of September 30, 2014 and an unrealized gain of \$0.2 million as of October 15, 2014 in shareholders' equity as a component of Accumulated Other Comprehensive Income. As part of fresh-start reporting, the Company revised its cost basis for its investments in KLC based on its fair value on the Effective Date.



Subsequent to October 15, 2014, the change in the fair value of our KLC investment was considered as other-than-temporary, and therefore the Company recorded non-cash impairment losses of \$1.0 million for the period of October 15, 2014 to December 31, 2014 for the Successor.

During the year ended December 31, 2015, all the KLC shares have been sold for net proceeds of \$7.8million and a loss of \$0.5 million recorded for the year.

The following table represents KLC capital stock which is recorded at fair value:

	No. of KLC Shares	Cost Basis-Adjusted	Fair Value	Unrealized Gain/(Loss) reported in OCI	Other-than Temporary Loss reported in Earnings-YTD	Gain/(Loss) On Sale of KLC Stock-YTD
<b>Balance at December 31, 2013 (Predecessor)</b>	<b>566,529</b>	<b>\$ 13,817,439</b>	<b>\$13,817,439</b>		<b>\$ (18,414,366 )</b>	<b>\$ (417,966 )</b>
Fair Value-Adjustments, net			(442,288 )	(442,288 )		
<b>Balance at September 30, 2014 ( Predecessor)</b>	<b>566,529</b>	<b>\$ 13,817,439</b>	<b>\$13,375,151</b>	<b>\$ (442,288 )</b>		
Fair Value-Adjustments, net			\$210,293	\$210,293		
Reorganization Adjustment		\$ (231,995 )		\$231,995		
<b>Balance at October 15, 2014 (Predecessor)</b>	<b>566,529</b>	<b>\$ 13,585,444</b>	<b>\$13,585,444</b>			
KLC Stock sold	(179,076)	\$ (4,294,267 )	\$ (4,294,267 )			
Other-than-Temporary Loss Adjustments		\$ (990,437 )	\$ (990,437 )		\$ (990,437 )	-
<b>Balance at December 31, 2014 (Successor)</b>	<b>387,453</b>	<b>\$ 8,300,740</b>	<b>\$8,300,740</b>		<b>\$ (990,437 )</b>	
KLC Stock sold	(387,453)	\$ (8,300,740 )	\$ (7,838,346 )			
Loss on sale of KLC stock			(462,394 )			<b>\$ (462,394 )</b>
Fair Value-Adjustments,net						

<b>Balance at December 31, 2015 (Successor)</b>	-	\$-	\$-	\$-	-	<b>\$ (462,394 )</b>
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**Note 5. Deferred Drydock Costs**

Drydocking activity for the three years ended December 31, 2015 is summarized as follows:

	<b>Successor</b>		<b>Predecessor</b>	
		<b>October 16, 2015</b>	<b>January 1, To October 15, 2014</b>	<b>2013</b>
		<b>To December 31, 2014</b>		
Beginning Balance	\$1,960,792	\$-	\$3,826,685	\$2,132,379
Payment for drydocking	11,141,561	1,960,792	3,802,796	3,637,842
Drydock amortization	(1,956,344)	-	(2,521,479)	(1,943,536)
Write-off	-	-	(5,108,002)	-
Ending Balance	\$11,146,009	\$1,960,792	\$-	\$3,826,685

**Note 6. Other Accrued Liabilities**

Other accrued liabilities consist of:

	<b>Successor December 31, 2015</b>	<b>Successor December 31, 2014</b>
Vessel and Voyage	\$8,901,904	\$6,767,402
Other Expenses	1,925,171	2,374,827
Balance	\$10,827,075	\$9,142,229

**Note 7. Debt**

Long term debt consists of the following:



	<b>Successor December 31, 2015</b>	<b>Successor December 31, 2014</b>
Exit Facility	\$245,375,000	\$225,000,000
Discount on Facility	(3,736,693 )	(5,268,072 )
Less: Current Portion	(15,625,000 )	(15,625,000 )
 Long-term Debt	 \$226,013,307	 \$204,106,928

Refer to Note 1 for discussion of recent debt-related transactions.

#### *The Fourth Amended and Restated Credit Agreement*

On June 20, 2012, the Company entered into a Fourth Amended and Restated Credit Agreement to its credit facility agreement, dated as of October 19, 2007, as amended (the "Credit Agreement"), which, among other things, (i) permanently waives any purported defaults or events of defaults that were the subject of a temporary waiver under the Sixth Amendatory and Commercial Framework Implementation Agreement (the "Sixth Amendment") to the Third Amended and Restated Credit Agreement dated October 19, 2007, including any alleged events of default arising from any purported breach of the minimum adjusted net worth covenant that occurred as a result of any failure to maintain the required adjusted net worth; (ii) converts the \$1,129,478,741 outstanding under the revolving credit facility into a term loan; (iii) sets the maturity date as December 31, 2015, and, subject to the Company's satisfaction of certain conditions, including a collateral coverage ratio at December 31, 2015 of less than 80%, provides an option to the Company to further extend the maturity date by an additional 18 months to June 30, 2017 (the "Termination Date"); (iv) requires no mandatory repayments of principal until the Termination Date, other than a quarterly sweep of cash on hand in excess of \$20,000,000 and upon the sale of vessels, additional financings or future equity raises by the Company. All amounts outstanding under the term loan were to bear interest at LIBOR plus a margin that would include a payment-in-kind ("PIK") component. The initial cash margin of 3.50% and PIK margin of 2.50% can be reduced on the basis of reduced leverage and proceeds from future equity raises by the Company.

The Credit Agreement also provided for a new Liquidity Facility in the aggregate amount of \$20,000,000, which permits the purchase or sale of vessels within certain parameters, permits the management of third party vessels and provides that all capitalized interest will be evidenced in the form of PIK loans, which will mature on the Termination Date. On the Termination Date, the Company may elect to either (i) repay the PIK loans in cash; or (ii) convert the PIK loans into shares of cumulative convertible preferred stock, par value of \$10.00 per share.

In addition, the Credit Agreement replaced the previously existing financial covenants and substituted them with new covenants, which requires the Company to (i) maintain a maximum leverage ratio of the term loan indebtedness, excluding the PIK loans, to Credit Agreement EBITDA (as defined in the Credit Agreement) on a trailing four quarter basis, commencing in the quarterly period ending September 30, 2013, of 13.9:1, December 31, 2013, of 12.3:1, March 31, 2014 of 10.6:1, June 30, 2014 of 9.2:1, September 30, 2014 of 8.5:1, December 31, 2014 of 8.1:1, March 31, 2015 of 7.8:1, June 30, 2015 of 7.6:1, September 30, 2015 of 7.5:1, and December 31, 2015 of 7.3:1 and, should the Termination Date be extended under the Company's option, further declining in intervals to 6.2:1 for the quarterly period ending March 31, 2017; (ii) maintain a minimum interest coverage ratio of Credit Agreement EBITDA to cash interest expenses on a trailing four quarter basis, expressed as a percentage, commencing in the quarterly period ending June 30, 2013, of 130%, September 30, 2013, of 140%, December 31, 2013, of 160%, March 31, 2014 of 180%, June 30, 2014 of 200%, September 30, 2014 of 210%, December 31, 2014 of 220%, March 31, 2015 of 220%, June 30, 2015 of 220%, September 30, 2015 of 220%, and December 31, 2015 of 220% and, should the Termination Date be extended, further escalating in intervals to 230% for the quarterly period ending March 31, 2017; (iii) maintain free cash with the agent in one or more accounts in an amount equal to \$500,000 per vessel owned directly or indirectly by the Company, provided that the unutilized amount of the liquidity facility shall be deemed to constitute free cash for these purposes; and (iv) maintain a maximum collateral coverage ratio, commencing in the quarterly period ending September 30, 2014, of 100% of the term loan indebtedness and any related swap exposure, declining in intervals to 80% for the quarterly period ending December 31, 2015 and, should the Termination Date be extended, further declining in intervals to 70% for the quarterly period ending March 31, 2017.

In connection with the Credit Agreement, the Company entered into a Warrant Agreement, dated June 20, 2012, pursuant to which the Company issued 3,148,584 warrants convertible on a cashless basis into shares of the Company's common stock, par value \$0.01 (the "Warrant Shares"), at a strike price of \$0.01 per share of common stock. One-third of the warrants are exercisable immediately, the next third of the warrants are exercisable when the price of the Company's common stock reaches \$10.00 per share and the last third of the warrants are exercisable when the price of the Company's common stock reaches \$12.00 per share. Unexercised warrants will expire on June 20, 2022. The Company determined the relative fair value of the Warrant Shares at \$7.2 million using the Monte Carlo simulation which was performed, and the mean value was selected. The assumptions used in the Monte Carlo simulation were the underlying stock price of \$2.98, risk-free rate of 1.64%, expected volatility of 79.3%, expected term of 10 years and expected dividend yield of 0%. The fair value of the warrants was recorded as deferred financing cost and amortized over the life of the term loan agreement.

On July 2, 2014, the Company and certain of the Company's lenders under the Credit Agreement entered into the Warrant Amendment to amend certain of the terms of the Warrant Agreement. The Warrant Amendment eliminated the conditions restricting the exercise of the Trigger Price B Warrants and the Trigger Price C Warrants held by lenders under the Credit Agreement, including the minimum share price conditions described above, such that all such Lender Warrants were immediately exercisable. The Warrant Amendment also included a prohibition on the trade or transfer by any such lender of its Warrants, or shares of common stock received upon exercise thereof, except in connection with a transfer of such lender's loans under the Credit Agreement, for so long as the Waivers, as the same may be amended or modified from time to time, or any successor agreement thereto, were in effect. Refer to Note 1—General Information—Liquidity for additional information. The Company valued the Warrant Amendment and determined that there is no incremental change in fair value due to the modification. The Company determined the relative fair value of the Warrants before the modification by using the Monte Carlo simulation which was performed, and the mean value was selected. The assumptions used in the Monte Carlo simulation were the underlying stock price

of \$2.88, risk-free rate of 1.33%, expected volatility of 83.3%, expected term of 7.9 years and expected dividend yield of 0%. The fair value of the Warrants the day after the modification is based on \$2.88 share price further discounted after factoring in restrictions under the Warrant Amendment.

The Company's obligations under the Credit Agreement were secured by a first priority mortgage on each of the vessels in its fleet, and by a first assignment of all freights, earnings, insurances and requisition compensation relating to its vessels. The Credit Agreement also limited the Company's ability to create liens on its assets in favor of other parties.

Interest expense ceased being accrued as of August 6, 2014 except for the Debtor-In-Possession interest.

For 2015, interest rates on our outstanding debt ranged from 3.696% to 4.08%, including a margin over LIBOR applicable under the terms of the amended Exit Financing Facility. The weighted average effective interest rate including the amortization of debt discount for this period was 5.06%.

For 2014, interest rates on our outstanding debt ranged from 3.63% to 7.40%, including a margin over LIBOR applicable under the terms of the amended credit facility for the Predecessor. The weighted average effective interest rate was 2.93% for the Predecessor. For 2014, interest rates on our outstanding debt ranged from 4.028% to 4.037%, including a margin over LIBOR applicable under the terms of the amended credit facility for the Successor. The weighted average effective interest rate was 4.13% for the Successor.

For 2015, Commitment fees of 40% of the margin incurred on the undrawn portion of the facility. For 2014, Commitment fees of 0.7% incurred on the undrawn portion of the facility.

Interest Expense consisted of:

	<b>Successor</b>	<b>Predecessor</b>		
	<b>October</b>	<b>January 1,</b>		
	<b>16,</b>	<b>To</b>	<b>To</b>	<b>2013</b>
	<b>2015</b>	<b>To</b>	<b>October 15,</b>	
		<b>December</b>	<b>2014</b>	
		<b>31, 2014</b>	<b>2014</b>	
Exit Financing Facility Interest	\$9,781,106	\$2,103,151	\$-	\$-
Amortization of Facility Deferred Financing Costs	114,937	24,247	-	-
Amortization of Discount on Facility	2,031,379	231,928	-	-
Term loan Interest	-	-	43,314,831	74,874,702
Amortization of Term Loan Deferred Financing Costs	-	-	16,278,544	8,032,925
Debtor-In-Possession Interest	-	-	394,096	-
Amortization of DIP Deferred Financing Costs	-	-	750,000	-
<b>Total Interest Expense</b>	<b>\$11,927,422</b>	<b>\$2,359,326</b>	<b>\$60,737,471</b>	<b>\$82,907,627</b>

Interest paid, exclusive of the PIK loans, amounted to \$9,911,793 in 2015, \$10,886,687 from January 1 to October 15, 2014 and \$1,586,303 from October 16 to December 31, 2014 and \$47,973,599 in 2013.

The Bankruptcy Code generally provides guidance that specifically limits post-petition interest accruals on secured debt and allows accrual only when the collateral securing the claims exceeds the principal amount of the debt and any accrued interest. As these criteria were not met, the Company ceased to accrue interest on the Term and PIK Loans as of August 6, 2014, with the exception of the interest on Debtor-In-Possession loan facility. As a result, during the bankruptcy proceedings, interest in the amount of \$14,844,413 was not accrued for the period from August 6, 2014 through October 15, 2014. The Company did not make the scheduled June 30, 2014 interest payment or any other payment subsequent to this date. The Consenting Lenders agreed, pursuant to Amendment No. 6, to forbear from exercising any rights or remedies with respect to this otherwise due interest payment until the termination of the forbearance period afforded by the Waiver. Interest continued to accrue on the unpaid interest payment during the period of forbearance at the penalty rate specified in the Credit Agreement. The commencement of the Prepackaged Case constituted an event of default that accelerated the Company's obligations under the Credit Agreement, subject to an automatic stay of any action to collect, assert or recover a claim against the Company and the application of the applicable provisions of the Bankruptcy Code, see Note 1 above.

*Consent and Amendment No. 1 to the Credit Agreement*

On August 6, 2014, the Company entered into Consent and Amendment No. 1 (the “Credit Agreement Amendment”) to its Credit Agreement to facilitate the Company’s entry into the DIP Loan Facility (described below) and associated security agreement, pledge agreement and ship mortgages, and the granting of first-priority liens on all assets of the Company and the Guarantors (as defined below), subject to certain exceptions, and to amend the definition of “Security Period” in the Credit Agreement, the General Security Agreement, and the Pledge Agreement (as such terms are defined in the Credit Agreement).

*Senior Secured Debtor-in-Possession Term Loan Agreement*

On August 8, 2014, the Court entered an interim order (the “Interim Order”) authorizing the Company’s entry into the DIP Loan Facility. Following the entry of the Interim Order, on August 8, 2014, the Company entered into (the “DIP Loan Facility”) among the Company, the subsidiary guarantors from time to time party thereto (the “Guarantors”), the lenders party thereto (the “DIP Lenders”), Wilmington Trust (London) Limited, as DIP Agent and Security Trustee (the “DIP Security Trustee”) and Goldman Sachs Lending Partners LLC, as Sole Bookrunner and Sole Lead Arranger.

The DIP Loan Facility had a nine-month term, subject to a three month extension at the option of the Company (the “Extension Option”) provided no default or Event of Default had occurred thereunder and upon payment by the Company of an extension fee to the DIP Lenders equal to 0.75% of each DIP Lender’s commitment thereunder, unless prior to the end of such nine month period, the Plan was confirmed pursuant to an order entered by the Court, in which case, the DIP Loan Facility would terminate on the date of such confirmation. The amount committed and made available under the DIP Loan Facility was \$50 million, of which \$25 million was available following the entry of the Interim Order. On September 19, 2014, the Court entered an order approving the DIP Loan Facility on a final basis.

The DIP Loan Facility bore interest at a rate of LIBOR plus an applicable margin of (i) 5.00% or (ii) upon the exercise of the Extension Option, 7.00%. The DIP Loan Facility had a minimum liquidity covenant of \$22.5 million and a maximum capital expenditures covenant, each tested as of the end of each fiscal monthly period, and a budget compliance covenant tested on a rolling four-week look-back basis, commencing with the four-week period ending August 29, 2014 and on each four week anniversary of such date.

The DIP Loan Facility was secured by first-priority liens on all assets of the Company and the Guarantors for the benefit of the secured parties thereunder (the “DIP Loan Secured Parties”), except for such assets as otherwise provided for in the Court order related to the DIP Loan Facility, and subject to certain exceptions and permitted liens.

### *Discharge*

On the Effective Date, and in accordance with the Plan, the Credit Agreement was terminated and all liens and mortgages related thereto were released as part of the Plan, and the DIP Loan Facility was repaid in full and all liens and mortgages related thereto were released.

### *Exit Financing Facility*

On October 9, 2014, the Company entered into the Exit Financing Facility with the Exit Lenders. The Exit Financing Facility is in the amount of \$275 million, including a \$50 million revolving credit facility out of which \$40 million has been drawn as of December 31, 2015, and it matures on October 15, 2019. A fee of \$5.5 million was paid to the lenders in connection with the Exit Financing Facility. Amounts drawn under the Exit Financing Facility bear interest at a rate of LIBOR plus margin ranging between 3.50% and 4.00% per annum. The revolving credit facility is subject to an annual commitment fee of 40% of the margin.

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

The Exit Financing Facility contains financial covenants requiring the Company, among other things, to ensure that: the aggregate market value of the vessels in the Company's fleet at all times does not fall below between 150% and 165% of the aggregate principal amount of debt outstanding under the Exit Financing Facility; the total financial indebtedness of the Company and all of its subsidiaries on a consolidated basis divided by the sum of (i) the total shareholders' equity for the Company and all of its subsidiaries (minus goodwill and other non-tangible items) and (ii) the total financial indebtedness of the Company and all of its subsidiaries on a consolidated basis, shall not be more than 0.65; the aggregate of the Company's and its subsidiaries' EBITDA will not be less than 2.5x of the aggregate amount of interest incurred and net amounts payable under interest rate hedging arrangements during the relevant particular period; and the Company maintains a minimum liquidity of not less than the greater of (i) \$20,000,000 and (ii) \$500,000 per vessel in the Company's fleet. In addition, the Exit Financing Facility also imposes operating restrictions on the Company including limiting the Company's ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; acquire and sell capital assets (including vessels); merge or consolidate with, or transfer all or substantially all of the Company's assets to, another person; enter into a new line of business. The Company is obligated to repay the Exit Financing Facility in 20 equal consecutive quarterly repayment installments each in an amount of U.S. \$3,906,250. The first installment of the Exit Financing Facility is repaid on the date falling three months after the First Drawdown Date and the last such installment on the Maturity Date

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

On August 14, 2015, the Company entered into an Amending Agreement (the "Amending Agreement") with certain Exit Lenders under the Exit Financing Facility. Pursuant to the Amending Agreement, the Exit Lenders have agreed to, among other things, defer the compliance with the minimum interest coverage covenant under the Exit Financing Facility from December 31, 2015 to December 31, 2016 and amend the method of calculating the Minimum Interest Coverage Ratio (as defined in the Exit Financing Facility) as follows: (i) on a trailing two quarter basis for the fiscal quarter ending December 31, 2016 (ii) on a trailing three quarter basis for the fiscal quarter ending March 31, 2017 and (iii) on a trailing four quarter basis for each succeeding fiscal quarter thereafter. Further, the Amending Agreement amended the minimum required security cover covenant under the Exit Financing Facility as follows: (i) for the period prior to June 30, 2017, 165 percent of the Loan (as defined in the Exit Financing Facility) (ii) for the period on or after July 1, 2017 and on or before October 14, 2017, 157.5 percent of the Loan and (iii) thereafter, 165 percent of the Loan. In connection with the Exit Lenders entering into the Amending Agreement, the Company paid an amendment fee of \$0.5 million. The fee has been capitalized along with the existing unamortized discount on Exit Financing Facility and amortized as interest expense.

*Forbearance Agreement*

On January 15, 2016, the “Company” entered into a Forbearance and Standstill Agreement (the “Forbearance Agreement”) by and among the Company, certain subsidiaries of the Company party to the Exit Financing Facility as guarantors and each lender under the Loan Agreement executing the Forbearance Agreement, which constitute the majority lenders (the “Specified Lenders”) where by the Specified Lenders agreed to forbear, during the forbearance period, from exercising certain of their available remedies under the Finance Exit Financing Facility with respect to or arising out of:

one or more events of default that exist as a result of the Company’s voluntary self-disclosure report file with OFAC described above (the “Disclosed Defaults”); and

the subsequent event of default that occurred as a result of the Company’s failure to pay when due the quarterly repayment installment due January 15, 2016, under the Loan Agreement (the “Payment Default” and, together with the Disclosed Defaults, the “Specified Defaults”).

The Company and the Specified Lenders entered into the Forbearance Agreement (and each of the amendments and waivers granted as described below) to provide the Company with time, liquidity and flexibility to evaluate potential financing alternatives to enhance its liquidity, with the objective of reaching agreement by the end of the Forbearance Period Including its discussions with certain of its shareholders and Exit Lenders with respect to such financing alternatives;

The forbearance period under the Forbearance Agreement was originally set to expire on the earliest to occur of (1) 6:00 a.m. (New York City time) on February 2, 2016; (2) the occurrence of any event of default under the Exit Financing Facility other than a Specified Default; (3) the failure by the Company and the guarantors to comply with the covenants set forth in the Forbearance Agreement, which failure continues for more than two business days after written notice from the Specified Lenders or the agent under the Exit Financing Facility; or (4) the failure of the representations and warranties made by the Company and the guarantors set forth in the Forbearance Agreement to be true and correct in any material respect as of the date made.

The Company, the guarantors ,the Specified Lenders and the agent and security trustee under the Exit Financing Facility amended the Forbearance Agreement seven times to extend the period of forbearance, the final amendment dated as of March 22, 2016, until March 29, 2016. In connection with the second amendment to the Forbearance Agreement, on February 9, 2016, the Company made the quarterly payment installment to the Exit Lenders that was due on January 15, 2016 in the amount of \$3,906,250, which payment served to cure the related event of default under the Exit Financing Facility. In addition, in connection with the second, fourth amendment and sixth amendment, the Specified Lenders and the agent and security trustee agreed to temporarily waive the Company’s compliance with the minimum liquidity covenant under the Exit Financing Facility, each time reducing the liquidity that was required to be maintained. Under the fourth waiver, dated as of March 18, 2016, the Company was granted a further temporary waiver of minimum liquidity covenant to temporarily eliminate its application.



On March 30, 2016, we entered into a contribution agreement (the “Contribution Agreement”) with a newly-formed wholly-owned subsidiary, Eagle Shipping LLC, a limited liability company organized under the laws of the Marshall Islands (“Eagle Shipping”) pursuant to which the Company transferred, assigned and contributed to Eagle Shipping, and Eagle Shipping received, accepted and assumed, all of the tangible and intangible assets of the Company (other than the membership interests in Eagle Shipping owned by the Company and certain deposit accounts held by the Company, which deposit account balances were transferred) and all of the liabilities of the Company (the “Contribution”), including all of the Company’s rights and obligations under the Exit Financing Facility. Immediately following the Contribution, Eagle Shipping became the direct parent company of each of the Company’s previously directly-owned subsidiaries. The Contribution was part of the transactions contemplated by the agreements also entered into on March 30, 2016 and described below, which transactions were consummated on March 30, 2016, after the fulfillment of certain conditions precedent. See Note 1.

#### **Note 8. Derivative Instruments and Fair Value Measurements**

Historically, the Company entered into interest rate swaps to effectively convert a portion of its debt from a floating to a fixed-rate basis. Under these swap contracts, exclusive of applicable margins, the Company pays fixed rate interest and receives floating-rate interest amounts based on three-month LIBOR settings. The swaps are designated and qualify as cash flow hedges. As of December 31, 2015 and December 31, 2014, the Company did not have any open positions and no fair value for interest rate swaps is reflected in the accompanying balance sheets.

#### *Forward freight agreements, bunker swaps and freight derivatives*

The Company trades in forward freight agreements (“FFAs”), bunker swaps and freight derivatives markets, with the objective of utilizing these markets as economic hedging instruments that reduce the risk of specific vessels to changes in the freight market and/or bunker costs. The Company’s FFAs, bunker swaps and freight derivatives have not qualified for hedge accounting treatment. As of December 31, 2015 and December 31, 2014 the Company did not have any open positions and no fair value for derivative instruments is reflected in the accompanying balance sheets.

The Company does not offset fair value amounts recognized for derivatives by the right to reclaim cash collateral or the obligation to return cash collateral. The amount of collateral to be posted are defined in the terms of respective master agreement executed with counterparties or exchanges and are required when agreed upon threshold limits are exceeded.

#### *Fair Value Measurements*

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

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

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

*Investment*— includes our available-for-sale securities that are traded in active markets, internationally. The fair value is measured by using closing stock prices from such active market.

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

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

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

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

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

	December 31, 2015			December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	1	2	3	1	2	3
<b>Assets:</b>						
Investment	\$	\$	—	\$8,300,740	—	—

In 2015, as discussed in Note 3, the Company recorded an impairment of \$50,872,734 as a result of management's intention to divest of six of its vessels in the short term period. Prior to the impairment, such vessels had a recorded value of \$ 76,332,734.

#### **Note 9. Commitments and Contingencies**

##### *Vessel Technical Management Contract*

The Company has technical management agreements for some of its vessels with independent technical managers. For the Predecessor, the Company paid average monthly technical management fees of \$13,994 per vessel for the period from January 1 to October 15 in 2014, \$11,901 for year ended December 31, 2013. For the Successor, the Company paid average monthly technical management fees of \$10,920 per vessel in 2015 and \$11,041 per vessel for the period from October 16, 2014 to December 31, 2014.

##### *Operating Lease*

On October 15, 2015, the Company entered into a new commercial lease agreement as a subtenant for office space in Stamford, Connecticut. The lease is effective from January 1, 2016 through June 29, 2023, with an average annual rent of \$419,536. The lease is secured by a letter of credit backed by cash collateral of \$74,918 which amount is recorded as restricted cash in the accompanying balance sheets. In September 2014, the Company entered into a lease office agreement in Singapore, the lease expires in October 2016. During the period from January 1 to October 15, 2014 and during the year ended December 31, 2013, the Predecessor recorded rent expense of \$1,061,608 and \$1,319,380, respectively. Rent expense recorded by the Successor for the year ended December 31, 2015 was \$2,591,489 including lease termination fees of \$1,334,301 on its existing office space in New York, New York and the period from October 16 to December 31, 2014 was \$272,365.



The future minimum commitments under the leases for office space as of December 31, 2015 are as follows:

2016	\$338,398
2017	415,957
2018	429,376
2019	442,794
Thereafter	1,653,769
Total	\$3,280,294

### *Legal Proceedings*

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

In November 2015, the Company filed a voluntary self-disclosure report regarding certain apparent violations of U.S. sanctions regulations in the provision of shipping services for third party charterers with respect to the transportation of cargo to or from Myanmar (formerly Burma). At the time of such apparent violations, the Company had a different senior operational management team. There can be no assurance that OFAC will not conclude that these past actions warrant the imposition of civil penalties and/or referral for further investigation by the U.S. Department of Justice. The report was provided to OFAC for the agency's review, consideration and determination regarding what action, if any, may be taken in resolution of this matter. The Company will continue to cooperate with the agency regarding this matter and cannot estimate when such review will be concluded. While the ultimate impact of these matters cannot be determined, there can be no assurance that the impact will not be material to the Company's financial condition or results of operations.

### *Other Commitments*

On October 14, 2015, the Company entered into a lease termination and surrender agreement for the New York office space effective on March 31, 2016. Under the agreement the Company will pay \$1.3 million as an early termination fee. As of December 31, 2015, \$1.2 million has been paid and \$0.1 million has been accrued.

On October 15, 2015, the Company entered into a new commercial lease agreement as a subtenant for office space in Stamford, Connecticut. The lease is effective from January 1, 2016 through June 29, 2023, with an average annual rent of \$419,536.

**Note 10. Reorganization Items, Net**

Reorganization items, net represent amounts incurred and recovered subsequent to the bankruptcy filing as a direct result of the filing of the Prepackaged Case and are comprised of the following:

	<b>Successor October 16, 2013</b>	<b>Predecessor January 1, To October 15, 2014</b>
Professional Fees Incurred	- \$ 45,542	\$25,311,230
Reorganization items and fresh-start reporting adjustments, net	- -	402,423,980
Total Reorganization Items	- \$ 45,542	\$427,735,210

**Note 11. Transactions with related party**

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

On October 15, 2014, the above referenced Management Agreement was amended and restated (as so amended and restated, the "Amended Management Agreement"). As per the Amended Management Agreement, the technical management fee is \$700 per vessel per day. The commercial management fee is 1.25% of charter hire; provided, however, that no commercial management fee shall be payable with respect to a charter hire that is earned while a vessel is a member of a pool and with respect to which a fee is paid to the pool manager. Following Mr. S. Zoullas' resignation on March 9, 2015, the Company no longer considers the Amended Management Agreement to be a related party transaction.

On May 22, 2015, the Company received a termination notice to the Amended Management Agreement from Delphin. The notice of termination was given pursuant to the terms of the Amended Management Agreement and became effective as of August 22, 2015.

Total management fees for the year ended December 31, 2015, amounted to \$2,379,787. The total reimbursable amounted to \$227,105. Total management fees for the period October 16 to December 31, 2014 amounted to \$402,661. The total reimbursable expenses for the period October 16 to December 31, 2014 amounted to \$27,115. The advance balance received from Delphin on account for the management of its vessels as of December 31, 2015 and December 31, 2014 was \$245,569 and \$1,180,098 respectively.

For the Predecessor, total management fees for the period from January 1, to October 15, 2014 amounted to \$1,722,973 and \$2,180,088 for the year ended December 31, 2013. The total reimbursable expenses for the period from January 1 to October 15, 2014 amounted to \$203,097.

## **Note 12. Loss Per Common Share**

The computation of basic net loss per share is based on the weighted average number of common shares outstanding for the period ended December 31, 2015 and December 31, 2014 for the Successor Company and Predecessor, respectively. The Predecessor diluted net loss per share for the period ended October 15, 2014 will also reflect the weighted average of the underlying Warrant Shares issuable upon exercise of the 615,997 warrants at the exercise price of \$0.01 per share. In accordance with the accounting literature, the Company has given effect to the issuance of these warrants in computing basic net loss per share because the underlying shares are issuable for little or no cash consideration. Diluted net loss per share gives effect to stock awards, stock options and restricted stock units using the treasury stock method, unless the impact is anti-dilutive. Diluted net loss per share for the year ended December 31, 2015 does not include 784,613 unvested stock awards, 1,377,337 stock options and 3,045,327 warrants as their effect was anti-dilutive. Diluted net loss per share for the Successor Period ended December 31, 2014 does not include 900,900 stock awards, 2,477,477 stock options and 3,045,327 warrants as their effect was anti-dilutive. Diluted net loss per share as of October 15, 2014 does not include 123,667 restricted stock units and 1,727,667 stock options as their effect was anti-dilutive. Diluted net loss per share for the year ended December 31, 2013 does not include 123,667 restricted stock units and 1,727,667 stock options as their effect was anti-dilutive.

	<b>Successor</b>	<b>October 16,</b>	<b>Predecessor</b>	
		<b>To</b>	<b>To</b>	
	<b>2015</b>	<b>December</b>	<b>October 15,</b>	<b>2013</b>
		<b>31,</b>	<b>2014</b>	
		<b>2014</b>	<b>2014</b>	
Net Loss	\$(148,296,965)	\$(11,548,728)	\$(531,803,257)	\$(70,521,383)
Weighted Average Shares-Basic	37,617,358	37,504,541	17,857,408	16,983,913
Dilutive effect of stock options and restricted stock units	-	-	-	-
Weighted Average Shares Diluted	37,617,358	37,504,541	17,857,408	16,983,913
Basic loss Per Share	\$(3.94	) \$(0.31	) \$(29.78	) \$(4.15
Diluted loss Per Share	\$(3.94	) \$(0.31	) \$(29.78	) \$(4.15

### Note 13. Stock Incentive Plans

#### Eagle Bulk Shipping - Predecessor Company

*2011 Equity Incentive Plan.* In November 2011, our shareholders approved the 2011 Equity Incentive Plan (the “2011 Plan”) for the purpose of affording an incentive to eligible persons. The 2011 Equity Incentive Plan provides for the grant of equity based awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, unrestricted stock, other equity based or equity related awards, and/or performance compensation awards based on or relating to the Company's common shares to eligible non-employee directors, officers, employees or consultants. The 2011 Plan was administered by a compensation committee or such other committee of the Company's board of directors. An aggregate of 5.9 million of the Company's common shares have been authorized for issuance under the 2011 Plan. The shares reserved for issuance under the 2011 Plan were not subject to adjustment in the event of a stock split commenced prior to the Company's 2011 Annual General Meeting. However, the 2011 Plan was approved by shareholders subject to the Company's confirmation in the proxy materials relating to the approval of the 2011 Plan that no options granted under the plan would, in the aggregate, exceed 10% of the Company's issued and outstanding shares on a fully diluted basis on the date the options first become exercisable.



*2009 Equity Incentive Plan.* In May 2009, our shareholders approved the 2009 Equity Incentive Plan (the “2009 Plan”) for the purpose of affording an incentive to eligible persons. The 2009 Plan provides for the grant of equity based awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, unrestricted stock, other equity based or equity related awards, and/or performance compensation awards based on or relating to the Company’s common shares to eligible non-employee directors, officers, employees or consultants. The 2009 Plan was administered by a compensation committee or such other committee of the Company’s board of directors. A maximum of 1.05 million of the Company’s common shares have been authorized for issuance under the 2009 Plan, which have been adjusted in accordance with the one-for-four reverse stock split effective on May 22, 2012.

The Company permits the employees to use vested shares to satisfy the grantee’s United States federal income tax liability resulting from issuance of the shares through the Company’s retention of that number of common shares having a market value as of the vesting date equal to such tax obligation up to the minimum statutory withholding requirements. The amounts related to shares used for such tax withholding obligations were \$352,306 for the year ended December 31, 2013, and none for the period ended October 15, 2014.

On June 26, 2012, upon the Company’s refinancing of its credit facility, the Company granted options, under the 2012 Plan, to certain members of the Company’s senior management to purchase an aggregate of 1,580,000 of the Company’s common shares. The options have an exercise price of \$3.34 per share, vest in four equal annual installments beginning on the grant date, and expire between five to ten years from the date of grant. The Company has recorded non-cash compensation charges of \$988,502 relating to the fair value of these stock options in 2013 and \$555,344 for the period ended October 15, 2014.

In December 2011 the Company granted 415,750 Restricted Stock Units (“RSUs”) to members of its management and certain employees. Each Restricted Stock Unit granted to the participant represents the right to receive one share of the Company’s Common Stock as of the date of vesting, with such vesting to occur ratably over three years. The fair value of the non-vested restricted stock at the grant date, equivalent to the market value at the date of grants, is \$1,646,370. Amortization of this charge, which is included in non-cash compensation expense, for the year ended December 31, 2013, was \$538,898 and \$517,039 for the period ended October 15, 2014.

As part of the Reorganization Plan, on the effective date all outstanding and unvested RSUs and options have been canceled.

Eagle Bulk Shipping - Successor Company

2014 Management Incentive Plan

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

On the Effective Date, the Company granted to its former Chief Executive Officer, 540,540 shares of New Eagle MIP Primary Equity and New Eagle MIP Options exercisable for 675,676 shares at an exercise price of \$18 and 810,811 shares at an exercise price of \$25.25. The fair value of the New Eagle MIP Primary Equity equivalent to the enterprise value at the grant date was \$8.9 million. Amortization of this charge, which is included in general and administrative expense, for the Successor Period ended December 31, 2014, was \$970,552. The fair value of each New Eagle MIP Option was \$5.80 for the \$18 options and \$4.12 for the \$25.25 options. For the purposes of determining the non-cash compensation cost for the Company's stock option plan using the fair value method of ASC 718 "Compensation-Stock Compensation", the fair value of the New Eagle MIP Options was estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions used included a risk free interest rate of 1.29%, an expected stock price volatility factor of 43% and a dividend rate of 0%. The aggregate fair value of these awards on the date of grant was \$7.26 million. Amortization of this charge, which is included in general and administrative expense for the Successor period ended December 31, 2014, was \$790,890. On March 9, 2015, the Company's former Chief Executive Officer resigned from the Company. In connection with the resignation, the Company entered into a Separation Agreement and General Release with its former Chief Executive Officer. The Separation Agreement provides, among other things, a vesting of 270,270 of New Eagle MIP Primary Equity of the Company previously granted to its former Chief Executive Officer. All other equity awards previously granted by the Company to its former Chief Executive Officer were forfeited without consideration pursuant to such Separation Agreement. For the year ended December 31, 2015, the non-cash compensation related to the separation agreement was \$803,420 net of forfeitures.

On December 2, 2014, the Company granted 360,360 shares of New Eagle MIP Primary Equity to members of its management and certain employees and New Eagle MIP Options exercisable for 450,450 shares at an exercise price of \$18 and 540,540 shares at an exercise price of \$25.25. The fair value of the New Eagle MIP Primary Equity equivalent to the market value at the date of grant was \$4.97 million. Amortization of this charge, which is included in general and administrative expense, for the year ended December 31, 2015 and for the Successor period ended December 31, 2014, were \$1,565,378 and \$210,843, respectively. The fair value of each New Eagle MIP Option at the date of the grant was \$4.26 for the \$18 options and \$2.95 for the \$25.25 options. The aggregate fair value of these awards on the date of grant was \$3.51 million. Amortization of this charge, which is included in general and administrative expense, for the year ended December 31, 2015 and for the Successor period ended December 31, 2014 were \$887,875 and \$149,220, respectively.

On April 27, 2015, the Company's former Chief Operating Officer separated from the Company. On May 1, 2015, the Company and its former Chief Operating Officer entered into a Separation Agreement and General Release. All the equity awards previously granted by the Company to its former Chief Operation Officer were forfeited without consideration pursuant to such Separation Agreement.

On June 12, 2015, the Company granted to an employee 55,000 restricted shares. The fair value of the New Eagle MIP Primary Equity equivalent to the market value at the date of grant was \$493,900. Amortization of this charge, which is included in General and administrative expenses, for the year ended December 31, 2015, was \$142,047.

On July 7, 2015, the Company announced that it appointed Gary Vogel as Chief Executive Officer of the Company, effective as of September 1, 2015 (the "CEO Effective Date"). The Company entered into an employment agreement with Mr. Vogel on July 6, 2015. Pursuant to the employment agreement, on September 29, 2015, the Company granted to Mr. Vogel 325,000 restricted shares of common stock of the Company, an option to purchase 325,000 shares of Common Stock at an exercise price of \$5.87 per share, and an option to purchase 325,000 shares of Common Stock at an exercise price of \$13.00 per share, in each case, (i) subject to the terms of the Company's 2014 Equity Incentive Plan and the applicable award agreement and (ii) pursuant to the exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 506 of Regulation D thereunder. The options have a five year term and will vest ratably on each of the first four anniversaries of the CEO Effective Date. All of the restricted shares will vest on the third anniversary of the CEO Effective Date subject to Mr. Vogel's continued employment. The fair value of Mr. Vogel's restricted stock award is equivalent to the market value at the date of grant was \$1,907,750. Amortization of this charge, which is included in general and administrative expense, for the year ended December 31, 2015, was \$386,504. The fair value of the options was \$623,828 for the \$5.87 options and \$200,160 for the \$13.00 options. For the purposes of determining the non-cash compensation cost for the Company's stock option plan using the fair value method of ASC 718 "Compensation-Stock Compensation", the fair value of the options was estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions used included a risk free interest rate of 1.09%, an expected stock price volatility factor of 41.6% and a dividend rate of 0%. The aggregate fair value of these stock options awards on the date of grant was \$823,988. Amortization of this charge, which is included in general and administrative expense, for the year ended December 31, 2015, was \$142,276.

On November 13, 2015, the Company granted to an employee, 100,000 restricted shares of common stock of the Company, an option to purchase 100,000 shares of Common Stock at an exercise price of \$3.92 per share, and an option to purchase 100,000 shares of Common Stock at an exercise price of \$13.00 per share. The fair value of the restricted stock award is equivalent to the market value at the date of grant was \$392,000. Amortization of this charge, which is included in general and administrative expense, for the year ended December 31, 2015, was \$31,897. The fair value of the options was \$132,444 for the \$3.92 options and \$20,287 for the \$13.00 options. For the purposes of determining the non-cash compensation cost for the Company's stock option plan using the fair value method of ASC 718 "Compensation-Stock Compensation", the fair value of the options was estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions used included a risk free interest rate of 1.37%, an expected stock price volatility factor of 42.6% and a dividend rate of 0%. The aggregate fair value of these stock options awards on the date of grant was \$152,731. Amortization of this charge, which is included in general and administrative expense, for the year ended December 31, 2015, was \$10,592.

The future compensation to be recognized for the aforementioned restricted stock and options for the years ending December 31, 2016, 2017 and 2018 will be \$2,977,752, \$1,479,655 and \$605,779, respectively.

**Note 14. Non-cash Compensation**

Non-cash compensation charges relate to the stock options and restricted stock units granted to certain members of management and certain employees for the Predecessor under the 2009 and 2011 Stock Incentive Plan and for the Successor under 2014 Management Incentive Plan, (see Note 13).

The non-cash compensation expenses recorded by the Company and included in General and Administrative Expenses are as follows:

	<b>Successor</b>		<b>Predecessor</b>	
	<b>October 16, 2015 To December 31, 2014</b>		<b>January 1, To October 15, 2013</b>	
Stock Option Plans	\$249,853	\$940,110	\$555,344	\$988,502
Restricted Stock Grants			517,039	3,876,032
Stock award	3,720,136	1,181,395		
Total non-cash compensation expense	\$3,969,989	\$2,121,505	\$1,072,383	\$4,864,534

**Note 15. Employee Benefit Plan**

In October 2010, the Company established a safe harbor 401(k) plan which is available to full-time office employees who meet the plan's eligibility requirements. The plan allows participants to contribute to the plan a percentage of pre-tax compensation, but not in excess of the maximum allowed under the Internal Revenue Code. The Company is matching 100% of the first 3% and 50% of the next 2% of each employee's salary. The matching contribution vests immediately.

The Company has a discretionary profit sharing contribution program under which employees may receive profit sharing contribution based on the Company's annual operating performance. For the years ended December 31, 2015, 2014 and 2013, the Company did not make a profit sharing contribution.

**Note 16. 2015 and 2014 Quarterly Results of Operations (Unaudited)**

We have presented the unaudited quarterly results of operations separately for the Successor Company and the Predecessor Company.

**Consolidated Statement of Operations**

(Unaudited)

**2015**

	<b>Three Months  ended  March 31</b>	<b>Three Months  ended  June 30</b>	<b>Three Months  ended  September 30</b>	<b>Three Months  ended  December 31</b>
Revenues	\$26,331,166	\$22,657,372	\$29,127,482	\$25,740,856
Total Operating Expenses	43,839,019	47,011,056	46,135,325	102,409,040*
Operating Loss	(17,507,853)	(24,353,684)	(17,007,843)	(76,668,184 )
Net Loss	(20,667,064)	(27,508,300)	(20,376,620)	(79,744,981 )
Basic Loss Per Share	\$(0.55 )	\$(0.73 )	\$(0.54 )	\$(2.12 )
Diluted Loss Per Share	\$(0.55 )	\$(0.73 )	\$(0.54 )	\$(2.12 )

\*include impairment charge of \$50,872,734.

**2014**

	<b>Predecessor</b>			<b>Successor</b>	
	<b>Three Months ended March 31</b>	<b>Three Months ended June 30</b>	<b>Three Months ended September 30</b>	<b>Period from October 1 to October 15</b>	<b>Period from October 16 to December 31</b>
Revenues	\$45,795,391	\$42,380,059	\$29,846,038	\$5,128,726	\$31,089,603
Total Operating Expenses	48,615,542	50,489,321	56,081,682	11,302,597	39,351,274
Operating Loss	(2,820,151 )	(8,109,262 )	(26,235,644)	(6,173,871 )	(8,261,671 )
Net Loss	(22,589,886)	(44,660,059)	(45,857,654)	(418,695,658)	(11,548,728)
Basic Loss Per Share	\$(1.32 )	\$(2.61 )	\$(2.39 )	\$(21.84 )	\$(0.31 )
Diluted Loss Per Share	\$(1.32 )	\$(2.61 )	\$(2.39 )	\$(21.84 )	\$(0.31 )