SPANA CARL
Form 4
July 23, 2010

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
SPANA CARL

(Last) (First) (Middle)

PALATIN TECHNOLOGIES, INC., 4C CEDAR BROOK DRIVE

(Street)

CRANBURY, NJ 08512

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PALATIN TECHNOLOGIES INC [PTN]

3. Date of Earliest Transaction (Month/Day/Year)
07/21/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President & CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction	5. Number of Derivative	6. Date Exercisable and Expiration Date	7. Title and Amoun Underlying Securiti

Security (Instr. 3)	or Exercise Price of Derivative Security		any (Month/Day/Year)	Code (Instr. 8)		Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		(Month/Day/Year)		(Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amou Numb Shares
restricted stock unit	$ 0	07/21/2010		A		250,000		09/15/2010 (1)	03/15/2011	common stock	250,(

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SPANA CARL PALATIN TECHNOLOGIES, INC. 4C CEDAR BROOK DRIVE CRANBURY, NJ 08512	X		President & CEO	

Signatures

Carl Spana	07/23/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The Restricted Stock Units vest as to 50% on September 15, 2010 and as to the remaining 50% on March 15, 2011.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Election and Removal of Directors.

Our amended and restated articles of incorporation prohibit cumulative voting in the election of directors. Our amended and restated by-laws require parties other than the Board of Directors to give advance written notice of nominations for the election of directors. Our amended and restated articles of incorporation also provide that our directors may be removed only for cause and only upon the affirmative vote of 662/3% of the outstanding shares of our capital stock entitled to vote for those directors or by a majority of the members of the board of directors then in office. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

Limited Actions by Shareholders.

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

Advance Notice Requirements for Shareholder Proposals and Director Nominations.

Our amended and restated by-laws provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder s notice must be received at our principal executive offices not less than 150 days nor more than 180 days before the date on which we first mailed our proxy materials for the preceding year s annual meeting. Our amended and restated by-laws also specify requirements as to the form and content of a shareholder s notice. These provisions may impede a shareholder s ability to bring matters before an annual meeting of shareholders or make nominations for directors at an annual meeting of shareholders.

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

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

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

MARKET INFORMATION, HOLDERS AND DIVIDENDS

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

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

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

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

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

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

Net Income (loss)

Less Fleet Related Capital Maintenance Expenditures

Plus Non-Cash Compensation

Cash Available for Distribution

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

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

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

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

ITEM 6. SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

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

Vessel operating expenses		24,872		17,590		16,730		16,004		8,198
General, administrative and technical management fees		8,389		5,445		4,768		5,585		5,044
Management fees to Parent		3,607		2,671		2,471		2,464		1,229
Depreciation and amortization		21,015		15,564		14,814		14,769		7,359
Other operating income										(206)
Total operating expenses		59,857		42,882		40,271		39,443		22,213
Operating (loss) income		(14,337)		(6,909)		(12,967)		4,049		10,346
Other expense		(5,873)		(4,449)		(4,275)		(4,445)		(1,946)
(Loss) income before income taxes		(20,210)		(11,358)		(17,242)		(396)		8,400
Income tax expense		(57)		(34)		(28)		(34)		(78)
Net (loss) income	$	(20,267)	$	(11,392)	$	(17,270)	$	(430)		8,322
Net (loss) income per share of common and Class B Stock:										
Net (loss) income per share - basic	$	(0.36)	$	(0.36)	$	(0.78)	$	(0.02)	$	0.46
Net (loss) income per share - diluted	$	(0.36)	$	(0.36)	$	(0.78)	$	(0.02)	$	0.46
Dividends declared and paid per share of common and Class B stock	$	0.06	$	0.05	$	0.24	$	0.45	$	0.32
Balance Sheet Data:										
(U.S. dollars in thousands, at end of period)										
Cash and cash equivalents	$	9,929	$	58,193	$	3,280	$	8,300	$	5,797
Total assets		568,218		557,367		364,370		384,955		396,154
Total debt		196,775		167,875		101,250		101,250		101,250
Total shareholders equity		364,882		385,103		260,662		281,603		289,436
Other Data:										
(U.S. dollars in thousands)										
Net cash provided by operating activities	$	1,096	$	2,603	$	433	$	15,379	$	18,999
Net cash used in investing activities		(72,736)		(147,212)		(5)		(2,570)		(389,801)
Net cash provided by (used in) financing activities		23,376		199,522		(5,448)		(10,306)		376,599
EBITDA (2)	$	6,669	$	8,638	$	1,819	$	18,786	$	17,678

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

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

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

General

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

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

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

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

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

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

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

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

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

Factors Affecting Our Results of Operations

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

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

(U.S. dollars)	For the Years Ended December 31, 2014	2013	Increase (Decrease)	% Change
Average Daily Results:				
Time Charter Equivalent (5)				
Capesize	$ 13,083	$ 15,123	$ (2,040)	(13.5)%

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

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

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

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

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

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

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

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

Operating Data

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

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

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

Results of Operations

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

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

- the number of vessels in our fleet and their charter rates;

- the number of days that our vessels are utilized and not subject to drydocking, special surveys or otherwise off-hire; and

- our ability to control our fixed and variable expenses, including our ship management fees, our operating costs and our general, administrative and other expenses, including insurance. Operating costs may vary from month to month depending on a number of factors, including the timing of purchases of lube oil, crew changes and delivery of spare parts.

Years ended December 31, 2014 and 2013

VOYAGE REVENUES-

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

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

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

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

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

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

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

VOYAGE EXPENSES-

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

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

VOYAGE EXPENSES TO PARENT-

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

VESSEL OPERATING EXPENSES-

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

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

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

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

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

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

GENERAL, ADMINISTRATIVE AND TECHNICAL MANAGEMENT FEES-

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

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

MANAGEMENT FEES TO PARENT-

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

DEPRECIATION-

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

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

OTHER (EXPENSE) INCOME-

NET INTEREST EXPENSE-

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

INCOME TAX EXPENSE-

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

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

Factors Affecting Our Results of Operations

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

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

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

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

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

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

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

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

	For the Years Ended December 31, 2013	2012
Voyage revenues (in thousands)	$ 35,973	$ 27,304
Voyage expenses (in thousands)	1,151	1,142
Voyage expenses to Parent (in thousands)	461	346
	34,361	25,816
Total available days	3,534.1	3,283.3
Total TCE rate	$ 9,723	$ 7,863

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

Operating Data

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

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

Total assets		557,367		364,370	192,997	53.0%
Total debt		167,875		101,250	66,625	65.8%
Total shareholders equity		385,103		260,662	124,441	47.7%
Other Data:						
(U.S. dollars in thousands)						
Net cash provided by operating activities	$	2,603	$	433	$ 2,170	501.2%
Net cash used in investing activities		(147,212)		(5)	(147,207)	2,944,140.0%
Net cash provided by (used in) financing activities		199,522		(5,448)	204,970	(3,762.3)%
EBITDA (1)	$	8,638	$	1,819	$ 6,819	374.9%

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

Years ended December 31, 2013 and 2012

VOYAGE REVENUES-

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

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

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

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

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

VOYAGE EXPENSES-

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

VOYAGE EXPENSES TO PARENT-

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

VESSEL OPERATING EXPENSES-

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

Daily vessel operating expenses decreased to $4,941 per vessel per day during the year ended December 31, 2013 from $5,079 per vessel per day during the year ended December 31, 2012. The decrease in daily vessel operating expenses is primarily due to lower insurance and repair and maintenance related expenses, as well as the timing of purchase of stores and spare parts. We believe daily vessel operating expenses are best measured for comparative purposes over a 12-month period in order to take into account all of the expenses that each vessel in our fleet will incur over a full year of operation. Our actual daily vessel operating expenses per vessel for the year ended December 31, 2013 were $459 below the budgeted rate for the year ended December 31, 2013 of $5,400 per vessel per day.

GENERAL, ADMINISTRATIVE AND TECHNICAL MANAGEMENT FEES-

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

MANAGEMENT FEES TO PARENT-

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

DEPRECIATION-

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

OTHER (EXPENSE) INCOME-

NET INTEREST EXPENSE-

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

INCOME TAX EXPENSE-

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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and there was no further availability.

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

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

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

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

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

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

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

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

Our dividend policy will also impact our future liquidity position. We currently intend to pay a variable quarterly dividend equal to our Cash Available for Distribution from the previous quarter (refer to Dividend Policy below), subject to any reserves the Board of Directors may from time to time determine are required. These reserves may cover, among other things, drydocking, repairs, claims, liabilities and other obligations, debt amortization, acquisitions of additional assets and working capital. Although the Board of Directors decided not to declare a dividend for the last quarter of 2014 due to the weakened current rate environment, during the past three years we have paid dividends even though the application of the formula in our policy would have resulted in a lesser dividend or no dividend, although we may not continue to do so.

Dividend Policy

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

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

Net Income (Loss)

Less Fleet Related Capital Maintenance Expenditures

Plus Non-Cash Compensation

Cash Available for Distribution

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

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

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

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

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

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

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

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

Limitations on Dividends and Our Ability to Change Our Dividend Policy

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

- Our shareholders have no contractual or other legal right to receive dividends.

- Our Board of Directors has authority to establish reserves for the prudent conduct of our business, after giving effect to contingent liabilities, the terms of any credit facilities we may enter into, our other cash needs and the requirements of Marshall Islands law. The establishment of these reserves could result in a reduction in dividends to you. We do not anticipate the need for reserves at this time.

- Our Board of Directors may modify or terminate our dividend policy at any time. Even if our dividend policy is not modified or revoked, the amount of dividends we pay under our dividend policy and the decision to pay any dividend is determined by our Board of Directors.

- Marshall Islands law generally prohibits the payment of a dividend when a company is insolvent or would be rendered insolvent by the payment of such a dividend or when the declaration or payment would be contrary to any restriction contained in the Company s articles of incorporation. Dividends may be declared and paid out of surplus only, but if there is no surplus, dividends may be declared or paid out of the net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year.

- We may lack sufficient cash to pay dividends due to decreases in net voyage revenues or increases in operating expenses, principal and interest payments on outstanding debt, tax expenses, working capital requirements, capital expenditures or other anticipated or unanticipated cash needs.

- Our dividend policy may be affected by restrictions on distributions under any credit facilities we may enter into, which contain material financial tests and covenants that must be satisfied. If we are unable to satisfy these restrictions included in the credit facilities or if we are otherwise in default under the facilities, we would be prohibited from making cash distributions to you, notwithstanding our stated cash dividend policy.

- While we intend that future acquisitions to expand our fleet will enhance our ability to pay dividends over time, acquisitions could limit our Cash Available for Distribution.

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

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

Cash Flow

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

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

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

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

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

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

Contractual Obligations

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2014. The table reflects the agreements to acquire the remaining three newbuilding Ultramax drybulk vessels from Yangfan Group Co., Ltd. for an aggregate purchase price of $84,000. We plan to finance these acquisitions with a combination of cash on hand, future cash flow from operations, as well as debt or equity financing, including the 2014 Term Loan Facilities and the $148 Million Credit Facility, as discussed above under Liquidity and Capital Resources. This table also incorporates sales and purchase fees payable to Genco pursuant to the Management Agreement which is equivalent to 1% of the gross purchase or sale price of any vessel acquisitions or disposals due upon the consummation of any purchase or sale of one of our vessels. The interest and borrowing fees in the table incorporate the unused fees and interest expense related to the $22 Million Term Loan Facility, $44 Million Term Loan Facility and the 2014 Term Loan Facilities, as well as other fees associated with these facilities. Additionally, the interest and borrowing fees incorporate the unused fees, interest expense and the arrangement fee and structuring fee related to the $148 Million Credit Facility, which was entered into effective December 31, 2014 and was utilized to refinance the 2010 Credit Facility. The arrangement fee and structuring fee for the $148 Million Credit Facility were $1,620 and $370, respectively. Refer to Note 7 Debt in our consolidated financial statements for further information regarding the $148 Million Credit Facility, as well as the terms of the $22 Million Term Loan Facility, the $44 Million Term Loan Facility and the 2014 Term Loan Facilities.

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

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

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

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

Capital Expenditures

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

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

Under U.S. Federal law and 33 CFR, Part 151, Subpart D, U.S. approved ballast water treatment systems will be required to be installed in all vessels at the first out of water drydocking after January 1, 2016 if these vessels are to discharge ballast water inside 12 nautical miles of the coast of the United States. Currently, we do not believe there are any ballast water treatment systems that areapproved by U.S. authorities; however, an alternative management system (AMS) may be installed in lieu. For example, in February 2015, the USCG added Bawat to the list of ballast water treatment systems that received AMS acceptance. An AMS is valid for fiveyears from the date of required compliance with ballast water discharge standards, by which time it must be replaced by an approved system unless the AMS itself achieves approval. The cost of these systems will vary based on the size the vessel, and the Company estimates the cost of the systems to be $950 for Capesize, $800 for Panamax, $750 for Supramax, $700 for Handymax and $650 for Handysize vessels. Any newbuilding vessels that we acquire will have an AMS installed when the vessel is being built. The costs ofballast water treatment systems will be capitalized and depreciated over the remainder of the life of the vessel, assuming the system the Company installs becomes approved. These amounts would be in addition to the amounts budgeted for drydocking below.

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

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

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

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

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

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

Off-Balance Sheet Arrangements

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

Inflation

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

CRITICAL ACCOUNTING POLICIES

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

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

Time Charters Acquired

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

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

Performance Claims

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

Vessels and Depreciation

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

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

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

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

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

			Carrying Value (U.S. Dollars in Thousands) as of	
Vessels	**Year Built**	**Year Acquired**	**December 31, 2014**	**December 31, 2013**
2010 Credit Facility				
Baltic Leopard	2009	2009		