

GENCO SHIPPING & TRADING LTD  
Form 10-K/A  
October 19, 2015

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

Washington, D.C. 20549

**FORM 10-K/A**

Amendment No. 2

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

For the fiscal year ended December 31, 2014

or

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

For the transition period from to

Commission file number 001-33393

**GENCO SHIPPING & TRADING LIMITED**

(Exact name of registrant as specified in its charter)

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

**Republic of the Marshall Islands**

(State or other jurisdiction of incorporation or organization)

**98-043-9758**

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

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

(Address of principal executive offices)

**10171**

(Zip Code)

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

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

Title of Each Class

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

Name of Each Exchange on Which Registered

**New York Stock Exchange**

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

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

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

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

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

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

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

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

The number of shares outstanding of the registrant's common stock as of October 19, 2015 was 72,898,234 shares.

---

## EXPLANATORY NOTE

This Amendment No. 2 on Form 10-K/A (this Amendment) amends our Form 10-K for the fiscal year ended December 31, 2014 that was filed with the Securities and Exchange Commission (SEC) on March 2, 2015 (the Original Filing), as amended by our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 that was filed with the SEC on April 30, 2015 (the Amended Filing and, together with the Original Filing, the Annual Report). We are filing this Amendment to (i) amend and restate our audited consolidated financial statements and related disclosures for the period from January 1, 2014 to July 9, 2014 and (ii) incorporate certain additional disclosures in response to certain comments we received from the Staff of the SEC regarding the Annual Report. Except as described in this Explanatory Note with respect to Parts I and II, no other changes have been made to the Annual Report. The Annual Report continues to speak as of the date of the Original Filing. Unless expressly stated, this Amendment does not reflect events occurring after the filing of the Original Filing.

In the context of this Amendment, unless otherwise indicated or the context otherwise requires, Genco, the Company, we, us, and our refer to Genco Shipping & Trading Limited and its subsidiaries. Genco's reporting of consolidated financial information related to those periods before July 9, 2014 are referred to as Predecessor period financial reporting and Genco's reporting of consolidated financial information related to those periods after July 9, 2014 are referred to as Successor period financial reporting.

### Background of the Restatement

Subsequent to the issuance of the Company's 2014 consolidated financial statements included in the Amended Filing, the Company became aware of errors in its determination of certain previously reported amounts in its Predecessor period financial information for the period from January 1, 2014 to July 9, 2014 related to its application of fresh-start accounting under ASC 852. These errors were related to the items included in the determination of the Reorganization items, net account balance on the face of the Company's Consolidated Statement of Operations of the Predecessor for the period from January 1, 2014 to July 9, 2014, which affected certain of the Company's previously reported items, including the Company's previously reported Net income and Net income per share, Net income attributable to Genco Shipping & Trading Limited and Net loss attributable to noncontrolling interest for this period. These errors did not impact Genco's previously reported financial information for its Successor period financial reporting, including consolidated revenues, operating expenses, net loss or cash flows of the Successor period from July 9, 2014 to December 31, 2014; or Genco's previously reported consolidated assets, liabilities or total equity of the Successor as of December 31, 2014. The errors did not impact the Company's previously reported consolidated revenues, operating expenses, or cash flows of the Predecessor period from January 1, 2014 to July 9, 2014 or any prior Predecessor period.

The Company determined that its previously issued consolidated financial statements for the Predecessor Company for the period ended July 9, 2014 should be restated to correct for these errors. The effect of correcting for these errors resulted in (1) changing the Company's previously reported gain on Reorganization items, net to a loss, (2) changing the Company's previously reported Net income and Net income per share to a Net loss and Net loss per share, respectively, (3) changing the Company's previously reported Net income attributable to Genco Shipping & Trading Limited to a Net loss attributable to Genco Shipping & Trading Limited; and increasing the Company's previously reported Net loss attributable to noncontrolling interest for the period from January 1, 2014 to July 9, 2014. The effect of correcting these errors is summarized in the following tables:

**Consolidated Statement of Operations**

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

	Predecessor Period from January 1 to July 9, 2014	Adjustment	Predecessor Period from January 1 to July 9, 2014
	As Reported		As Restated
Loss before reorganization items, net	\$ (96,795)		\$ (96,795)
Reorganization items, net	882,167	(1,797,807)(a)	(915,640)
(Loss) income before income taxes	785,372	(1,797,807)	(1,012,435)
Income tax expense	(815)		(815)
Net (loss) income	784,557	(1,797,807)	(1,013,250)
Less: Net loss attributable to noncontrolling interest	(8,734)	(53,367)(b)	(62,101)
Net (loss) income attributable to Genco Shipping & Trading Limited	\$ 793,291	\$ (1,744,440)	\$ (951,149)
Net (loss) income per share-basic	\$ 18.21	N/A	\$ (21.83)
Net (loss) income per share-diluted	\$ 18.21	N/A	\$ (21.83)
Weighted average common shares outstanding-basic	43,568,942	N/A	43,568,942
Weighted average common shares outstanding-diluted	43,568,942	N/A	43,568,942
Dividends declared per share	\$	N/A	\$

(a) The adjustment is the result of errors in the Company's prior accounting for the following transactions associated with the application of fresh start accounting:

	Adjustment
Discharge of Predecessor equity <1>	\$ (829,974)
Issuance of Successor equity <2>	(1,133,900)
Recording of goodwill in fresh-start accounting <3>	166,067
Total	\$ (1,797,807)

<1> The accounting consequences related to the discharge of Predecessor equity were previously reported as a component in the computation of Reorganization items, net. The adjustment is to exclude the accounting consequences related to the discharge of Predecessor equity from the computation of Reorganization items, net.

<2> The accounting consequences related to the issuance of Successor equity were previously excluded as a component in the computation of Reorganization items, net. The adjustment is to include from the accounting consequences related to the issuance of Successor equity in the computation of Reorganization items, net.

<3> The accounting consequences related to the recognition of goodwill were previously excluded as a component in the computation of Reorganization items, net. The adjustment is to include the accounting consequences related to the establishment of goodwill in the computation of Reorganization items, net.

(b) The adjustment is the result of errors in the Company's prior accounting for the consequences to noncontrolling interests of certain transactions associated with the application of fresh-start accounting.

### Consolidated Statement of Comprehensive Loss

(U.S. Dollars in Thousands)

	Predecessor Period from January 1 to July 9, 2014 As Reported	Adjustment	Predecessor Period from January 1 to July 9, 2014 As Restated
Net (loss) income	784,557	(1,797,807)	(1,013,250)
Change in unrealized (loss) gain on investments	(25,766)		(25,766)
Unrealized gain on cash flow hedges, net	2,401		2,401
Other comprehensive (loss) income	(23,365)		(23,365)
Comprehensive (loss) income	761,192	(1,797,807)	(1,036,615)
Less: Comprehensive loss attributable to noncontrolling interest	(8,734)	(53,367)	(62,101)
Comprehensive (loss) income attributable to Genco Shipping & Trading Limited	\$ 769,926	\$ (1,744,440)	\$ (974,514)

Management concluded that there was an internal control design deficiency representing a material weakness as of December 31, 2014 associated with these errors as our internal controls existing at the time did not prevent or detect a material misstatement in recording transactions associated with the Company's application of certain aspects of fresh-start accounting under ASC 852.

The Company has not amended, and does not intend to amend, its previously filed Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014, which was the only quarter affected by the restatement described above. The Company intends to reflect restated amounts for such period in its Quarterly Reports on Form 10-Q for the quarterly period ended September 30, 2015.

For the convenience of the reader, this Amendment sets forth Part I and Part II of the Annual Report, as modified and superseded, where necessary to reflect restatement of certain financial information and disclosures previously included in the Annual Report to correct for these errors. The following items have been amended principally as a result of, and to reflect, the restatement of such financial information and disclosures:

- Part II - Item 6. Selected Financial Data
- Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations;
- Part II - Item 8. Financial Statements and Supplementary Data; and
- Part II - Item 9A. Controls and Procedures.

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

In accordance with applicable SEC rules, this Amendment includes certifications from our President and Chief Financial Officer dated as of the date of this filing.

The sections of the Annual Report which were not amended are unchanged and continue in full force and effect as originally filed. This Amendment is as of the date of the Original Filing on the Original Filing and has not been updated to reflect events occurring subsequent to the Original Filing date other than those associated with the restatement of the Company's audited consolidated financial statements.

## PART II

## ITEM 6. SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

	Successor		Predecessor			
	Period from	Period from		For the Years Ended December 31,		
	July 9 to	January 1 to	2013	2012	2011	2010
	December 31,	July 9,				
	2014 (2)	2014 (2)				
	(restated)	(restated)				
<b>Income Statement Data:</b>						
(U.S. dollars in thousands except for share and per share amounts)						
<i>Revenues:</i>						
Voyage revenues	\$ 98,817	\$ 118,759	\$ 224,179	\$ 223,159	\$ 388,929	\$ 447,438
Service revenues	1,584	1,701	3,285	3,294	3,285	1,249
Total revenues	\$ 100,401	\$ 120,460	\$ 227,464	\$ 226,453	\$ 392,214	\$ 448,687
<i>Operating Expenses:</i>						
Voyage expenses	7,525	4,140	8,046	7,009	4,457	4,467
Vessel operating expenses	56,943	64,670	111,671	114,318	105,514	78,976
General, administrative and management fees	36,915	31,371	34,031	35,673	33,928	29,081
Depreciation and amortization	36,714	75,952	140,743	139,063	136,203	115,663
Other operating income	(530)		(121)	(265)	(527)	(791)
Goodwill impairment	166,067					
Total operating expenses	303,634	176,133	294,370	295,798	279,575	227,396
Operating (loss) income	(203,233)	(55,673)	(66,906)	(69,345)	112,639	221,291
Other expense	(7,538)	(41,122)	(88,217)	(87,209)	(86,186)	(72,042)
(Loss) income before reorganization items, net	(210,771)	(96,795)	(155,123)	(156,554)	26,453	149,249
Reorganization items, net	(1,591)	(915,640)				
Net (loss) income before income taxes	(212,362)	(1,012,435)	(155,123)	(156,554)	26,453	149,249
Income tax expense	(996)	(815)	(1,898)	(1,222)	(1,385)	(1,840)
Net (loss) income	(213,358)	(1,013,250)	(157,021)	(157,776)	25,068	147,409
Less: Net (loss) income attributable to noncontrolling interest	(31,064)	(62,101)	(9,280)	(12,848)	(318)	6,166
Net (loss) income attributable to Genco Shipping & Trading Limited	\$ (182,294)	\$ (951,149)	\$ (147,741)	\$ (144,928)	\$ 25,386	\$ 141,243
Net (loss) earnings per share - basic	\$ (3.02)	\$ (21.83)	\$ (3.42)	\$ (3.47)	\$ 0.72	\$ 4.28
Net (loss) earnings per share - diluted	\$ (3.02)	\$ (21.83)	\$ (3.42)	\$ (3.47)	\$ 0.72	\$ 4.07
Dividends declared per share			\$	\$	\$	\$
Weighted average common shares outstanding - Basic	60,360,515	43,568,942	43,249,070	41,727,075	35,179,244	32,987,449

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

Weighted average common shares outstanding - Diluted	60,360,515	43,568,942	43,249,070	41,727,075	35,258,205	35,891,373
--	------------	------------	------------	------------	------------	------------

**Balance Sheet Data:**

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

Cash and cash equivalents	\$ 83,414	\$ N/A	\$ 122,722	\$ 72,600	\$ 227,968	\$ 270,877
Total assets	1,752,913	N/A	2,957,254	2,843,371	3,119,277	3,182,708
Total debt (current and long-term, including notes payable)	430,135	N/A	1,595,945	1,524,357	1,694,393	1,746,248
Total equity	1,292,774	N/A	1,308,805	1,261,207	1,361,618	1,348,153

**Other Data:**

(U.S. dollars in thousands)

Net cash (used in) provided by operating activities	\$ (26,835)	\$ (33,317)	\$ (3,144)	\$ (18,834)	\$ 158,183	\$ 262,680
Net cash used in investing activities	(44,101)	(30,535)	(146,555)	(3,669)	(133,367)	(870,230)
Net cash provided by (used in) financing activities	18,273	77,207	199,821	(132,865)	(67,725)	690,160
EBITDA (1)	\$ (137,010)	\$ (833,366)	\$ 83,041	\$ 82,537	\$ 249,080	\$ 330,711

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

	Successor		Predecessor			
	Period from July 9 to December 31, 2014 (restated)	Period from January 1 to July 9, 2014 (restated)	2013	For the Years Ended December 31,		
				2012	2011	2010
Net (loss) income attributable to Genco Shipping & Trading Limited	\$ (182,294)	\$ (951,149)	\$ (147,741)	\$ (144,928)	\$ 25,386	\$ 141,243
Net interest expense	7,574	41,016	88,141	87,180	86,106	71,965
Income tax expense	996	815	1,898	1,222	1,385	1,840
Depreciation and amortization	36,714	75,952	140,743	139,063	136,203	115,663
EBITDA (1)	\$ (137,010)	\$ (833,366)	\$ 83,041	\$ 82,537	\$ 249,080	\$ 330,711

---

(2) The period from July 9 to December 31, 2014 (Successor Company) and the period from January 1 to July 9, 2014 (Predecessor Company) are distinct reporting periods as a result of our emergence from bankruptcy on July 9, 2014 as reported in our consolidated financial statements.

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

**General**

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

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

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

On April 21, 2014 (the Petition Date ), Genco and its subsidiaries other than Baltic Trading (collectively, the Debtors ) filed voluntary petitions for relief (the Chapter 11 Cases ). On July 2, 2014, the U.S. Bankruptcy Court for the Southern District of New York (the Bankruptcy Court ) entered an order (the Confirmation Order ) which approved and confirmed the Plan. On the Effective Date of July 9, 2014, the Debtors emerged from Chapter 11 through a series of transactions contemplated by the Plan, and the Plan became effective pursuant to its terms. Refer to Note 1 in our Consolidated Financial Statements for a detailed description of the Plan.

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

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

represents 2% of the number of common shares issued. As of December 31, 2014, our wholly-owned subsidiary Genco Investments LLC owned 6,356,471 shares of Baltic Trading's Class B Stock, which represents an 10.85% ownership interest in Baltic Trading at December 31, 2014 and

64.60% of the aggregate voting power of Baltic Trading's outstanding shares of voting stock. Baltic Trading is consolidated as we control a majority of the voting interest in Baltic Trading. Management's discussion and analysis of our results of operations and financial condition includes the results of Baltic Trading.

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

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

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

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

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

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

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

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

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

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

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

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

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

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

## Operating Data

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

	Successor Period from July 9 to December 31, 2014 (restated)	Predecessor Period from January 1 to July 9, 2014 (restated)	Predecessor Year Ended December 31, 2013	Change	% Change
<b>Income Statement Data:</b>					
(U.S. Dollars in thousands, except for per share amounts)					
<i>Revenue:</i>					
Voyage revenues	\$ 98,817	\$ 118,759	\$ 224,179	\$ (6,603)	(2.9)%
Service revenues	1,584	1,701	3,285		
Total revenues	100,401	120,460	227,464	(6,603)	(2.9)%
<i>Operating Expenses:</i>					
Voyage expenses	7,525	4,140	8,046	3,619	45.0%
Vessel operating expenses	56,943	64,670	111,671	9,942	8.9%
General, administrative and management fees	36,915	31,371	34,031	34,255	100.7%
Depreciation and amortization	36,714	75,952	140,743	(28,077)	(19.9)%
Other operating income	(530)		(121)	(409)	338.0%
Goodwill impairment	166,067			166,067	100.0%
Total operating expenses	303,634	176,133	294,370	185,397	63.0%
Operating loss	(203,233)	(55,673)	(66,906)	(192,000)	287.0%
Other expense	(7,538)	(41,122)	(88,217)	39,557	(44.8)%
Loss before reorganization items, net	(210,771)	(96,795)	(155,123)	(152,443)	98.3%
Reorganization items, net	(1,591)	(915,640)		(917,231)	100.0%
Loss before income taxes	(212,362)	(1,012,435)	(155,123)	(1,069,674)	689.6%
Income tax expense	(996)	(815)	(1,898)	87	(4.6)%
Net loss	(213,358)	(1,013,250)	(157,021)	(1,069,587)	681.2%
Less: Net loss attributable to noncontrolling interest	(31,064)	(62,101)	(9,280)	(83,885)	903.9%
Net loss attributable to Genco Shipping & Trading Limited	\$ (182,294)	\$ (951,149)	\$ (147,741)	\$ (985,702)	667.2%
Net loss per share - basic	\$ (3.02)	\$ (21.83)	\$ (3.42)	N/A	N/A
Net loss per share - diluted	\$ (3.02)	\$ (21.83)	\$ (3.42)	N/A	N/A
Dividends declared and paid per share	\$	\$	\$	\$	
Weighted average common shares outstanding - basic	60,360,515	43,568,942	43,249,070	N/A	N/A
Weighted average common shares outstanding - diluted	60,360,515	43,568,942	43,249,070	N/A	N/A

	Successor Period from July 9 to December 31, 2014 (restated)	Predecessor Period from January 1 to July 9, 2014 (restated)	Predecessor Year Ended December 31, 2013	Change	% Change
<b>Balance Sheet Data:</b>					
(U.S. Dollars in thousands, at end of period)					
Cash and cash equivalents	\$ 83,414	N/A	\$ 122,722	\$ (39,308)	(32.0)%
Total assets	1,752,913	N/A	2,957,254	(1,204,341)	(40.7)%
Total debt (current and long-term, including notes payable)	430,135	N/A	1,595,945	(1,165,810)	(73.0)%
Total equity	1,292,774	N/A	1,308,805	(16,031)	(1.2)%
<b>Other Data:</b>					
(U.S. Dollars in thousands)					
Net cash used in operating activities	\$ (26,835)	\$ (33,317)	\$ (3,144)	(57,008)	1,813.2%
Net cash used in investing activities	(44,101)	(30,535)	(146,555)	71,919	(49.1)%
Net cash provided by financing activities	18,273	77,207	199,821	(104,341)	(52.2)%
EBITDA (1)	(137,010)	(833,366)	\$ 83,041	\$ (1,053,417)	(1,268.6)%

(1) EBITDA represents net (loss) income attributable to Genco Shipping & Trading plus net interest expense, taxes and depreciation and amortization. Refer to pages 4-5 included in Item 6 where the use of EBITDA is discussed and for a table demonstrating our calculation of EBITDA that provides a reconciliation of EBITDA to net (loss) income attributable to Genco Shipping & Trading for each of the periods presented above.

## Results of Operations

### VOYAGE REVENUES-

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

- the duration of our charters;
- our decisions relating to vessel acquisitions and disposals;
- the amount of time that we spend positioning our vessels;

- the amount of time that our vessels spend in drydock undergoing repairs;
- maintenance and upgrade work;
- the age, condition and specifications of our vessels;
- levels of supply and demand in the drybulk shipping industry; and
- other factors affecting spot market charter rates for drybulk carriers.

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

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

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

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

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

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

### SERVICE REVENUES-

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

### VOYAGE EXPENSES-

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

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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.

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

## VESSEL OPERATING EXPENSES-

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

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

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

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

Vessel Type	Average Daily Budgeted Amount
Capesize	\$ 5,800
Panamax	5,300
Supramax	5,200
Handymax	5,200
Handysize	5,000

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

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

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

GENERAL, ADMINISTRATIVE AND MANAGEMENT FEES-

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

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

#### DEPRECIATION AND AMORTIZATION-

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

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

#### OTHER OPERATING INCOME-

Other operating income increased by \$0.4 million during 2014 from \$0.1 million during 2013. The increase is primarily due to \$0.5 million of total payments received from Samsun Logix Corporation as part of the cash settlement related to the rehabilitation plan approved by the South Korean courts during 2010. During the year ended December 31, 2013, we received a final cash settlement and shares of KLC stock as part of the final approved rehabilitation plan approved by the South Korean courts during 2013 which resulted in other operating income of \$0.1 million. Refer to Note 22 Commitments and Contingencies in our consolidated financial statements for further information regarding the settlement payments.

#### GOODWILL IMPAIRMENT

Goodwill impairment increased by \$166.1 million during 2014 from \$0 during 2013 as a result of our annual assessment. Refer to Note 5 Goodwill Impairment in the consolidated financial statements for additional information.

#### OTHER (EXPENSE) INCOME-

#### NET INTEREST EXPENSE-

Net interest expense decreased by \$39.6 million from \$88.1 million during 2013. Net interest expense during the years ended December 31, 2014 and 2013 consisted of interest expense under our \$100 Million Term Loan Facility, \$253 Million Term Loan Facility, the 2010 Baltic Trading Credit Facility and the Baltic Trading \$22 Million Term Loan Facility and the Baltic Trading \$44 Million Term Loan Facility, which were entered into August 30, 2013 and December 3, 2013, respectively. Additionally, interest income, unused commitment fees associated with the aforementioned credit facilities as well as the amortization of deferred financing costs related to the aforementioned credit facilities are included in net interest expense during 2014 and 2013. Net interest expense during the years ended December 31, 2014 and 2013 also includes interest expense related to our 5.0% Convertible Senior Notes (the 2010 Notes ) up until the Petition Date and for the facility under the Credit Agreement, dated as of July 20, 2007 (as amended to date), with the banks and other financial institutions named therein as lenders, Wilmington Trust, N.A., as successor administrative and collateral agent, and the other parties thereto (the 2007 Credit Facility ) until the Effective Date. Lastly, net interest expense during 2014 also includes interest expense under the 2014 Baltic Trading Term Loan Facilities which was entered into on October 8, 2014.

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

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

December 3, 2013 and October 8, 2014. Refer to Note 10 Debt in our consolidated financial statements for further information about these credit facilities.

### INCOME TAX EXPENSE-

During 2014, income tax expense decreased by \$0.1 million from \$1.9 million during 2013. This income tax expense consists primarily of federal, state and local income taxes on net income earned by Genco Management (USA) Limited ( Genco (USA) ), one of our wholly-owned subsidiaries. Pursuant to certain agreements, we technically and commercially manage vessels for Baltic Trading, as well as provide technical management of vessels for MEP in exchange for specified fees for these services provided. These services are provided by Genco (USA), which has elected to be taxed as a corporation for United States federal income tax purposes. As such, Genco (USA) is subject to United States federal income tax on its worldwide net income, including the net income derived from providing these services. Refer to the Income taxes section of Note 2 Summary of Significant Accounting Policies included in our consolidated financial statements for further information. The decrease in income tax expense during 2014 as compared to 2013 is primarily a result of additional income earned by Genco (USA) during 2013. This was primarily due to the 1% purchase fee earned by Genco (USA) from Baltic Trading pursuant to the Management Agreement related to the delivery of four Baltic Trading vessels during 2013 as compared to only two vessels during 2014. These purchase fees eliminate upon consolidation; however, the fees are included in the net income earned by Genco (USA) and are taxable. This decrease was partially offset by an increase in commercial service revenue due to Genco (USA) from Baltic Trading pursuant to the Management Agreement as a result of higher charter rates achieved by Baltic Trading's fleet.

### REORGANIZATION ITEMS, NET

Reorganization items, net increased by \$917.2 million during 2014 from \$0 during 2013. These reorganization items include trustee fees, professional fees incurred after the Petition Date in relation to the Chapter 11 Cases, the revaluation of assets and liabilities recorded as part of fresh-start reporting, and the discharge of liabilities subject to compromise in exchange for issuance of common stock pursuant to the Plan. Refer to Note 21 Reorganization items, net in our Consolidated Financial Statements for further detail. There were no reorganization items during the year ended December 31, 2013 as the Petition Date was April 21, 2014.

### NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST-

Net loss attributable to noncontrolling interest increased by \$83.9 million during 2014 from \$9.3 million during 2013. These amounts represent the net loss attributable to the noncontrolling interest of Baltic Trading.

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

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

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

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

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

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

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

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

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

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

## Operating Data

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

	For the Years Ended		Increase (Decrease)	% Change
	2013	December 31, 2012		
<b>Income Statement Data:</b>				
(U.S. dollars in thousands except for per share amounts)				
<i>Revenues:</i>				
Voyage revenue	\$ 224,179	\$ 223,159	\$ 1,020	0.5%
Service revenue	3,285	3,294	(9)	(0.3)%
Revenues	227,464	226,453	1,011	0.4%
<i>Operating Expenses:</i>				
Voyage expenses	8,046	7,009	1,037	14.8%
Vessel operating expenses	111,671	114,318	(2,647)	(2.3)%
General, administrative and management fees	34,031	35,673	(1,642)	(4.6)%
Depreciation and amortization	140,743	139,063	1,680	1.2%
Other operating income	(121)	(265)	144	(54.3)%

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

Total operating expenses	294,370	295,798	(1,428)	(0.5)%
Operating loss	(66,906)	(69,345)	2,439	(3.5)%
Other expense	(88,217)	(87,209)	(1,008)	1.2%
Loss before income taxes	(155,123)	(156,554)	1,431	(0.9)%
Income tax expense	(1,898)	(1,222)	(676)	55.3%
Net loss	(157,021)	(157,776)	755	(0.5)%
Less: Net loss attributable to noncontrolling interest	(9,280)	(12,848)	3,568	(27.8)%
Net loss attributable to Genco shipping & Trading Limited	\$ (147,741)	\$ (144,928)	\$ (2,813)	(19.4)%
Net loss per share - basic	\$ (3.42)	\$ (3.47)	\$ 0.05	(1.4)%
Net loss per share - diluted	\$ (3.42)	\$ (3.47)	\$ 0.05	(1.4)%
Dividends declared per share	\$	\$	\$	
Weighted average common shares outstanding - Basic	43,249,070	41,727,075	1,521,995	3.6%
Weighted average common shares outstanding - Diluted	43,249,070	41,727,075	1,521,995	3.6%

**Balance Sheet Data:**

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

Cash and cash equivalents	\$ 122,722	\$ 72,600	\$ 50,122	69.0%
Total assets	2,957,254	2,843,371	113,883	4.0%
Total debt (current and long-term, including notes payable)	1,595,945	1,524,357	71,588	4.7%
Total equity	1,308,805	1,261,207	47,598	3.8%

**Other Data:**

(U.S. dollars in thousands)

Net cash used in operating activities	\$ (3,144)	\$ (18,834)	\$ 15,690	(83.3)%
Net cash used in investing activities	(146,555)	(3,669)	(142,886)	3,894.4%
Net cash used in financing activities	199,821	(132,865)	332,686	(250.4)%
EBITDA (1)	\$ 83,041	\$ 82,537	\$ 504	0.6%

(1) EBITDA represents net (loss) income attributable to Genco Shipping & Trading plus net interest expense, taxes and depreciation and amortization. Refer to pages 4-5 included in Item 6 where the use of EBITDA is discussed and for a table demonstrating our calculation of EBITDA that provides a reconciliation of EBITDA to net (loss) income attributable to Genco Shipping & Trading for each of the periods presented above.

**Results of Operations**

**VOYAGE REVENUES-**

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

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

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

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

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

### SERVICE REVENUES-

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

### VOYAGE EXPENSES-

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

### VESSEL OPERATING EXPENSES-

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

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

### GENERAL, ADMINISTRATIVE AND MANAGEMENT FEES-

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

vessel.

DEPRECIATION AND AMORTIZATION-

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

OTHER OPERATING INCOME-

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

OTHER (EXPENSE) INCOME-

NET INTEREST EXPENSE-

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

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

INCOME TAX EXPENSE-

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

NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST-

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

## LIQUIDITY AND CAPITAL RESOURCES

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

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

Absent such waivers or modifications, if we do not comply with these covenants and fail to cure our non-compliance following applicable notice and expiration of applicable cure periods, we may be in default of one or more of our credit facilities. As a result, some or all of our indebtedness could be declared immediately due and payable, we may not be able to borrow further under our credit facilities, and we may have to seek alternative sources of financing on terms that may not be favorable to us. If we are unable to service or refinance our current or future indebtedness, we may have to take actions such as reducing or delaying

acquisitions or capital expenditures, selling assets, seeking additional debt or equity capital, or pursuing other restructuring options. As a result, we may experience a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

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

Historically, we have used funds to pay dividends and to repurchase our common stock from time to time. We have not declared or paid any dividends since the third quarter of 2008 and currently do not plan to resume the payment of dividends. Moreover, pursuant to restrictions under our credit facilities, we are currently prohibited from paying dividends. Future dividends, if any, will depend on, among other things, our cash flows, cash requirements, financial condition, results of operations, required capital expenditures or reserves, contractual restrictions, provisions of applicable law and other factors that our board of directors may deem relevant.

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

On May 28, 2013, Baltic Trading closed on an equity offering of 6,419,217 shares of Baltic Trading common stock at an offering price of \$3.60 per share. Baltic Trading received net proceeds of \$21.6 million after deducting underwriters' fees and expenses. On September 25, 2013, Baltic Trading closed on an equity offering of 13,800,000 shares of Baltic Trading common stock at an offering price of \$4.60 per share. Baltic Trading received net proceeds of \$59.5 million after deducting underwriters' fees and expenses. On November 18, 2013, we closed an equity offering of 12,650,000 shares of common stock at an offering price of \$4.60 per share. We received net proceeds of \$55.1 million after deducting underwriters' fees and expenses. Our wholly-owned subsidiary Genco Investments LLC was issued 128,383, 276,000 and 253,000 shares of Baltic Trading's Class B Stock on May 28, 2013, September 25, 2013 and November 18, 2013, respectively, which represented 2% of the number of common shares issued pursuant to the Subscription Agreement between Genco Investments LLC and Baltic Trading. Currently, Genco Investments LLC owns 6,356,471 shares of Baltic Trading's Class B Stock, which represents a 10.85% ownership interest in Baltic Trading and 64.60% of the aggregate voting power of Baltic Trading's outstanding shares of voting stock.

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

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

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

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

On October 8, 2014, Baltic Trading and its wholly-owned subsidiaries, Baltic Hornet Limited and Baltic Wasp Limited, each entered into the 2014 Baltic Trading Term Loan Facilities to partially finance the newbuilding Ultramax vessel that each subsidiary is to acquire, namely the Baltic Hornet and Baltic Wasp, respectively. Amounts borrowed may not be reborrowed. The 2014 Baltic Trading Term Loan Facilities have a ten-year term and is to be repaid in 20 equal consecutive semi-annual installments of 1/24 of the facility amount a balloon payment of 1/6 of the facility amount to be paid at final maturity. Principal repayments will commence six months after the actual delivery date for the vessel and borrowing bear interest at three or six-month LIBOR rate plus an applicable margin of 2.50%. Refer to Note 10 Debt in our consolidated financial statements for additional information regarding the 2014 Baltic Trading Term Loan Facilities. On October 24, 2014, Baltic Trading drew down \$16.8 million for the purchase of the Baltic Hornet, which was delivered on October 29, 2014. On December 30, 2014, Baltic

Trading drew down \$16.4 million for the purchase of the Baltic Wasp, which was delivered on January 2, 2015.

On December 31, 2014, Baltic Trading entered into the Baltic Trading \$148 Million Credit Facility. The Baltic Trading \$148 Million Credit Facility is comprised of an \$115.0 million revolving credit facility and \$33.0 million term loan facility. Borrowings under the revolving credit facility will be used to refinance Baltic Trading's outstanding indebtedness under the 2010 Baltic Trading Credit Facility. Amounts borrowed under the revolving credit facility of the Baltic Trading \$148 Million Credit Facility may be re-borrowed. Borrowings under the term loan facility of the Baltic Trading \$148 Million Credit Facility may be incurred pursuant to two single term loans in an amount of \$16.5 million each that will be used to finance, in part, the purchase of two newbuilding Ultramax vessels that Baltic Trading has agreed to acquire, namely the Baltic Scorpion and Baltic Mantis. Amounts borrowed under the term loan facility of the Baltic Trading \$148 Million Term Loan Facility may not be re-borrowed.

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

## **Dividends**

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

## **Cash Flow**

Net cash used in operating activities increased by \$57.0 million during the year ended December 31, 2014 from \$3.1 million during the year ended December 31, 2013. Excluding the \$880.4 million in non-cash reorganization items and fresh-start reporting adjustments reflected in the net loss, the net loss increased \$189.2 million from \$157.0 million during the year ended December 31, 2014. The increase was primarily due to pre-petition and post-petition reorganization expenses incurred related to our Chapter 11 Cases during 2014. Depreciation and amortization was \$140.7 million during 2013 and decreased by \$28.1 million during 2014 as a result of the adoption of fresh-start reporting on the Effective Date which required us to revalue our vessels assets at market partially offset by the increase in the size of our fleet due to the delivery of four Baltic Trading vessels during the second half of 2013 and one Baltic Trading during the fourth quarter of 2014. Additionally, there was a \$10.9 million increase in deferred drydocking costs incurred during the year ended December 31, 2014 from \$4.7 million during the year ended December 31, 2013 as a total of 26 vessels completed drydocking during the year ended December 31, 2014, including six of Baltic Trading's vessels, as compared to only six vessels that completed drydocking during the year ended December 31, 2013. These increases in the net cash used in operations were partially offset by a \$20.3 million increase in the amortization of nonvested stock compensation during 2014 from \$4.5 million during 2013 due to the amortization of the MIP Warrants and restricted shares issued after the Effective Date by the Successor Company. Lastly, the increases in net cash used in operations were partially offset by an increase in goodwill impairment of \$166.1 million during 2014 from \$0 during 2013 which related to goodwill that was originally recorded upon the adoption of fresh-start reporting on the Effective Date.

Net cash used in investing activities decreased by \$71.9 million during the year ended December 31, 2014 from \$146.6 million during the year ended December 31, 2013. Net cash used in investing activities for the year ended December 31, 2014 consisted primarily of \$24.5 million and \$30.0 million of vessels asset purchases, including deposits, incurred by the Successor Company and the Predecessor Company during the periods from July 9 to December 31, 2014 and January 1 to July 9, 2014, respectively. This consisted primarily of deposits made by Baltic Trading for its four newbuilding vessels that it has agreed to acquire, one of which was delivered to the Successor Company during the period from July 9 to December 31, 2014. Additionally, there was a \$19.5 million increase in deposits of restricted cash during the year ended December 31, 2014 as compared to \$0 during the year ended December 31, 2013, which was primarily due to the \$19.6 million of restricted cash that was held in an escrow accounts by the Successor Company as of December 31, 2014 for the purchase of the Baltic Wasp, which was delivered on January 2, 2015. For the year ended December 31, 2013, cash used in investing activities consisted primarily of \$145.4 million of vessel asset purchases, including deposits for the purchase of the Baltic Fox, Baltic Hare, Baltic Lion and Baltic Tiger which were delivered to Baltic Trading during the third and fourth quarter of 2013.

Net cash provided by financing activities decreased by \$104.3 million during the year ended December 31, 2014 as compared to \$199.8 million during the year ended December 31, 2013. During the period from July 9 to December 31, 2014, the Successor Company recorded the following: \$5.1 million repayment of debt under the \$253 Million Term Loan Facility, \$3.8 million repayment of debt under the \$100 Million Term Loan Facility; \$2.3 million for payments of deferred financing costs; \$1.4 million repayment of debt under the Baltic Trading \$44 Million Term Loan Facility; \$0.8 million repayment of debt under the Baltic Trading \$22 Million Term Loan Facility; and \$0.5 million settlement payment made to non-accredited 2010 Note holders. This cash used in financing activities was offset by \$33.2 million of proceeds from the 2014 Baltic Trading Term Loan Facility recorded by the Successor Company during the period from July 9 to December 31, 2014. During the period from January 1 to July 9, 2014, the Predecessor Company recorded the following: \$10.2 million repayment of debt under the \$253 Million Term Loan Facility; \$3.8 million repayment of debt under the \$100 Million Term Loan Facility; \$4.5 million for payments of deferred financing costs; \$1.4 million repayment of debt under the Baltic Trading \$44 Million Term Loan Facility; \$0.8 million repayment of debt under the Baltic Trading \$22 Million Term Loan Facility; and \$0.1 million for payment of common stock issuance costs by Baltic Trading. This cash used in used in financing activities was offset by the \$100.0 million received by the Predecessor Company during the period from January 1 to July 9, 2014 from the Rights Offering pursuant to the Plan. Net cash provided by financing activities during the year ended December 31, 2013 was primarily a result of \$136.3 million of net proceeds from common stock issued by Baltic Trading, \$44.0 million of proceeds from the Baltic Trading \$44 Million Term Loan Facility, \$22.0 million of proceeds from the Baltic Trading \$22 Million Term Loan Facility, as well as \$1.0 million of proceeds from the 2010 Baltic Trading Credit Facility. These amounts were partially offset by \$1.5 million for payments of deferred financing costs and \$0.4 million repayment of debt under the Baltic Trading \$22 Million Term Loan Facility.

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

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

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

#### **Credit Facilities**

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

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

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

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

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

#### **Convertible Notes Payable**

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

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

At December 31, 2013, we had four interest rate swap agreements with DNB Bank ASA to manage interest costs and the risk associated with changing interest rates. The total notional principal amount of the swaps was \$306.2 million and the swaps had specified rates and durations. Notwithstanding the agreements we entered into with certain of the lenders under our 2007 Credit Facility, our \$100 Million Term Loan Facility

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

and our \$253 Million Term Loan Facility to obtain forbearances with respect to certain potential or actual events of default as of March 31, 2014 (the Relief Agreements), the fact that we did not make the scheduled amortization payment under our 2007 Credit Facility on March 31, 2014 constituted an event of default under our currently outstanding interest rate swap.

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

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

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

As part of our business strategy, we may enter into arrangements commonly known as forward freight agreements, or FFAs, to hedge and manage market risks relating to the deployment of our existing fleet of vessels. These arrangements may include future

contracts, or commitments to perform in the future a shipping service between ship owners, charters and traders. Generally, these arrangements would bind us and each counterparty in the arrangement to buy or sell a specified tonnage freighting commitment forward at an agreed time and price and for a particular route. Although FFAs can be entered into for a variety of purposes, including for hedging, as an option, for trading or for arbitrage, if we decided to enter into FFAs, our objective would be to hedge and manage market risks as part of our commercial management. It is not currently our intention to enter into FFAs to generate a stream of income independent of the revenues we derive from the operation of our fleet of vessels. If we determine to enter into FFAs, we may reduce our exposure to any declines in our results from operations due to weak market conditions or downturns, but may also limit our ability to benefit economically during periods of strong demand in the market. We have not entered into any FFAs as of December 31, 2014 and 2013.

### Interest Rates

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

### Contractual Obligations

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

	Total	Less Than One Year	One to Three Years	Three to Five Years	More than Five Years
	(U.S. dollars in thousands)				
Credit Agreements (1)	\$ 432,385	\$ 34,324	\$ 86,425	\$ 291,617	\$ 20,019
Interest and borrowing fees	62,432	17,044	25,790	17,811	1,787

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

Remainder of purchase price of vessels (2)	42,000	42,000						
Executive employment agreement	373	373						
Office leases	19,695	1,037		2,152		3,146		13,360
Totals	\$ 556,885	\$ 94,778	\$ 114,367	\$ 312,574	\$ 35,166			

---

(1) On December 30, 2014, \$16.4 million was drawn down from the 2014 Baltic Trading Term Loan Facilities in order to fund the purchase of the Baltic Wasp, which was delivered to Baltic Trading on January 2, 2015. As such, it is included in

the total contractual obligations for credit agreement payments as of December 31, 2014. These amounts do not include the \$10.5 million that was drawn down by Baltic Trading on the Baltic Trading \$148 Million Credit Facility on February 27, 2015.

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

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

### Capital Expenditures

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

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

Under U.S. Federal law and 33 CFR, Part 151, Subpart D, U.S. approved ballast water treatment systems will be required to be installed in all vessels at the first out of water drydocking after January 1, 2016 if these vessels are to discharge ballast water inside 12 nautical miles of the coast of the United States. Currently, we do not believe there are any ballast water treatment systems that are approved by U.S. authorities; however, an alternative management system (AMS) may be installed in lieu. For example, in February 2015, the USCG added Bawat to the list

of ballast water treatment systems that received AMS acceptance. An AMS is valid for five years from the date of required compliance with ballast water discharge standards, by which time it must be replaced by an approved system unless the AMS itself achieves approval. The cost of these systems will vary based on the size the vessel, and the Company estimates the cost of the systems to be \$1.0 million for Capesize, \$0.8 million for Panamax, \$0.8 million for Supramax, \$0.7 million for Handymax and \$0.7 million for Handysize vessels. Any newbuilding vessels that we acquire will have an AMS installed when the vessel is being built. The costs of ballast water treatment systems will be capitalized and depreciated over the remainder of the life of the vessel, assuming the system the Company installs becomes approved. These amounts would be in addition to the amounts budgeted for drydocking below.

**Genco Shipping & Trading Limited**

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

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

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

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

During 2014, drydocking costs incurred increased by \$7.5 million from \$4.7 million during 2013. These costs exclude costs incurred during drydocking that were capitalized to vessel assets or vessel equipment.

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

**Baltic Trading Limited**

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

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

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

2016	\$	1.7	40
------	----	-----	----

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

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

During 2014, drydocking costs incurred by Baltic Trading increased by \$3.3 million from \$0.1 million during 2013. These costs exclude costs incurred during drydocking that were capitalized to vessel assets or vessel equipment.

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

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

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

### **Inflation**

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

### **CRITICAL ACCOUNTING POLICIES**

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

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

#### Time Charters Acquired

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

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

Performance Claims

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

### Vessels and Depreciation

We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel and expenditures made to prepare the vessel for its initial voyage) less accumulated depreciation. We depreciate our drybulk vessels on a straight-line basis over their estimated useful lives, estimated to be 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less the estimated residual scrap value. Effective July 9, 2014, the Effective Date, we increased the estimated scrap value of the vessels from \$245/lwt to \$310/lwt prospectively based on the 15-year average scrap value of steel. This increase in the residual value of the vessels will decrease the annual depreciation charge over the remaining useful life of the vessels. During the period from July 9, 2014 to December 31, 2014, the increase in the estimated scrap value resulted in a decrease in depreciation expense of approximately \$1.5 million for the Successor Company. Similarly, an increase in the useful life of a drybulk vessel would also decrease the annual depreciation charge. Comparatively, a decrease in the useful life of a drybulk vessel or in its residual value would have the effect of increasing the annual depreciation charge. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, we will adjust the vessel's useful life to end at the date such regulations preclude such vessel's further commercial use.

The carrying value each of our vessels does not represent the fair market value of such vessel or the amount we could obtain if we were to sell any of our vessels, which could be more or less. Under U.S. GAAP, we would not record a loss if the fair market value of a vessel (excluding its charter) is below our carrying value unless and until we determine to sell that vessel or the vessel is impaired as discussed below under Impairment of long-lived assets. Excluding the three Bourbon vessels we resold immediately upon delivery to MEP at our cost, we have sold three of our vessels since our inception and realized a profit in each instance. However, we did determine to cancel an acquisition of six drybulk newbuildings in November 2008, incurring a \$53.8 million loss from the forfeiture of our deposit and related interest.

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

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

The amount by which the carrying value at December 31, 2014 of all of the vessels in our fleet, with the exception of the Genco Avra, Genco Mare and Genco Spirit, exceeded the valuation of such vessels for covenant compliance purposes ranges, on an individual vessel basis, from \$0.1 million to \$8.2 million per vessels, and \$246.6 million on an aggregate fleet basis. The amount by which the carrying value at December 31, 2013 of all of the vessels in our fleet, with the exception of the Baltic Fox, Baltic Hare and Baltic Lion, exceed the valuation of such vessels for covenant compliance purposes ranged, on an individual basis, from \$0.3 million to \$64.3 million per vessel, and \$1,171.3 million on an aggregate fleet basis. The average amount by which the carrying value of these vessels exceeded the valuation of such vessels for

covenant compliance purposes was \$3.9 million as of December 31, 2014 and \$18.6 million as of December 31, 2013. However, neither such valuation nor the carrying value in the table below reflects the value of long-term time charters related to some of our vessels.

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

Vessels	Year Built	Year Acquired	Carrying Value (U.S. dollars in thousands) as of December 31,	
			2014	2013
<b><u>Unencumbered</u></b>				
Genco Reliance	1999	2004	\$ 9,379	\$ 14,135
Genco Vigour	1999	2004	12,064	19,393
Genco Explorer	1999	2004	9,367	13,981
Genco Carrier	1998	2004	11,209	14,087
Genco Sugar	1998	2004	8,502	13,016
Genco Pioneer	1999	2005	9,352	13,849
Genco Progress	1999	2005	9,364	14,035
Genco Wisdom	1997	2005	10,354	13,238
Genco Success	1997	2005	10,338	13,139
Genco Beauty	1999	2005	12,061	19,514
Genco Knight	1999	2005	12,043	19,205
Genco Leader	1999	2005	12,039	19,183
Genco Marine	1996	2005	9,346	12,382
Genco Prosperity	1997	2005	10,356	13,318
Genco Muse	2001	2005	14,617	19,371
Genco Acheron	1999	2006	12,028	18,981
Genco Surprise	1998	2006	11,058	17,974
Genco Augustus	2007	2007	41,761	98,002
Genco Tiberius	2007	2007	41,763	98,193
Genco London	2007	2007	40,242	99,694
Genco Titus	2007	2007	40,603	100,199
Genco Challenger	2003	2007	12,851	30,169
Genco Charger	2005	2007	14,726	33,537
Genco Warrior	2005	2007	20,348	48,971
Genco Predator	2005	2007	20,349	50,309
Genco Hunter	2007	2007	22,710	54,614
Genco Champion	2006	2008	15,710	35,080
Genco Constantine	2008	2008	44,133	105,126
Genco Raptor	2007	2008	19,802	71,552
Genco Cavalier	2007	2008	18,694	58,506
Genco Thunder	2007	2008	19,810	71,782
Genco Hadrian	2008	2008	43,587	103,504
Genco Commodus	2009	2009	46,057	105,973
Genco Maximus	2009	2009	46,065	105,990
Genco Claudius	2010	2009	48,275	107,688
TOTAL			\$ 740,963	\$ 1,647,690
<b><u>\$ 100 Million Term Loan Facility</u></b>				
Genco Bay	2010	2010	20,822	30,024
Genco Ocean	2010	2010	20,829	30,100
Genco Avra	2011	2011	21,945	31,194
Genco Mare	2011	2011	21,948	31,107
Genco Spirit	2011	2011	21,954	31,732
TOTAL			\$ 107,498	\$ 154,157
<b><u>\$ 253 Million Term Loan Facility</u></b>				
Genco Aquitaine	2009	2010	20,963	31,601
Genco Ardennes	2009	2010	20,967	31,752
Genco Auvergne	2009	2010	21,157	31,745
Genco Bourgogne	2010	2010	22,110	31,734
Genco Brittany	2010	2010	21,966	31,799
Genco Languedoc	2010	2010	21,967	31,966
Genco Loire	2009	2010	20,321	28,870

Genco Lorraine	2009	2010	20,320	28,565
----------------	------	------	--------	--------

Vessels	Year Built	Year Acquired	Carrying Value (U.S. dollars in thousands) as of December 31,	
			2014	2013
Genco Normandy	2007	2010	18,702	26,311
Genco Picardy	2005	2010	20,321	25,705
Genco Provence	2004	2010	19,211	25,299
Genco Pyrenees	2010	2010	21,971	31,742
Genco Rhone	2011	2011	23,054	33,347
<b>TOTAL</b>			<b>\$ 273,030</b>	<b>\$ 390,436</b>
<b><u>2010 Baltic Trading Credit Facility</u></b>				
Baltic Leopard	2009	2009	20,325	30,312
Baltic Panther	2009	2010	20,327	30,389
Baltic Cougar	2009	2010	20,329	30,540
Baltic Jaguar	2009	2010	20,330	30,459
Baltic Bear	2010	2010	47,251	63,754
Baltic Wolf	2010	2010	47,210	63,561
Baltic Wind	2009	2010	19,831	29,081
Baltic Cove	2010	2010	20,824	29,437
Baltic Breeze	2010	2010	20,833	30,002
<b>TOTAL</b>			<b>\$ 237,260</b>	<b>\$ 337,535</b>
<b><u>Baltic Trading \$22 Million Term Loan Facility</u></b>				
Baltic Fox	2010	2013	20,444	21,017
Baltic Hare	2009	2013	19,331	19,955
<b>TOTAL</b>			<b>\$ 39,775</b>	<b>\$ 40,972</b>
<b><u>Baltic Trading \$44 Million Term Loan Facility</u></b>				
Baltic Lion	2009	2013	53,659	52,589
Baltic Tiger	2010	2013	51,541	50,416
<b>TOTAL</b>			<b>\$ 105,200</b>	<b>\$ 103,005</b>
<b><u>2014 Baltic Trading Term Loan Facilities</u></b>				
Baltic Hornet	2014	2014	29,117	
<b>TOTAL</b>			<b>\$ 29,117</b>	<b>\$</b>
<b>Consolidated Total</b>			<b>\$ 1,532,843</b>	<b>\$ 2,673,795</b>

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

#### Deferred drydocking costs

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

Impairment of long-lived assets

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

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

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

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

In developing estimates of future undiscounted cash flows, we make assumptions and estimates about the vessels' future performance, with the significant assumptions being related to charter rates, fleet utilization, vessels' operating expenses, vessels' capital expenditures and drydocking requirements, vessels' residual value and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends. Specifically, we utilize the rates currently in effect for the duration of their current time charters, without assuming additional profit sharing. For periods of time where our vessels are not fixed on time charters, we utilize an estimated daily time charter equivalent for our vessels' unfixed days based on the most recent ten year historical one year time charter average. Actual equivalent drybulk shipping rates are currently lower than the estimated rate. We believe current rates have been driven by short-term disruptions or seasonal issues as discussed under Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Voyage Revenues.

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

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

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

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

<b>Vessel Class</b>	<b>As of December 31, 2014</b>	<b>As of December 31, 2013</b>
Capesize	(69.2)%	(69.0)%
Panamax	(69.0)%	(65.9)%
Ultramax	(55.6)%	
Supramax	(61.0)%	(60.1)%
Handymax	(58.2)%	(59.7)%
Handysize	(47.3)%	(46.2)%

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

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

### Investments

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

Investments are reviewed quarterly to identify possible other-than-temporary impairment in accordance with ASC Subtopic 320-10, Investments Debt and Equity Securities ( ASC 320-10 ). When evaluating the investments, we review factors such as the length of time and extent to which fair value has been below the cost basis, the financial condition of the issuer, the underlying net asset value of the issuer's assets and liabilities, and our ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value. Should the decline in the value of any investment be deemed to be other-than-temporary, the investment basis would be written down to fair market value, and the write-down would be recorded to earnings as a loss. Investments that are not expected to be sold within the next year are classified as noncurrent.

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

### Fair value of financial instruments

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

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

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

ITEM 8.

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Genco Shipping & Trading Limited**

Consolidated Financial Statements

Index to Consolidated Financial Statements

	<b>Page</b>
a) <u>Report of Independent Registered Public Accounting Firm</u>	F-2
b) <u>Consolidated Balance Sheets as of December 31, 2014 and December 31, 2013</u>	F-3
c) <u>Consolidated Statements of Operations</u>	F-4
d) <u>Consolidated Statements of Comprehensive (Loss) Income</u>	F-5
e) <u>Consolidated Statements of Equity</u>	F-6
f) <u>Consolidated Statements of Cash Flows</u>	F-7
g) <u>Notes to Consolidated Financial Statements</u>	F-8

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Genco Shipping & Trading Limited

New York, New York

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

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

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

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

As discussed in Notes 27 and 28 to the consolidated financial statements, the 2014 consolidated financial statements have been restated.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control - Integrated*

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

*Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 2, 2015 (October 19, 2015 as to the effects of the material weaknesses described in *Management's Report on Internal Control over Financial Reporting*, as revised), which report expressed an adverse opinion on the Company's internal control over financial reporting because of the material weaknesses.

/s/ DELOITTE & TOUCHE LLP

New York, New York

March 2, 2015

(April 30, 2015 as to the effects of the restatement discussed in Note 27)

(October 19, 2015 as to the effects of the restatement discussed in Note 28)

F-2

---

## Genco Shipping &amp; Trading Limited

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

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

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

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

Predecessor Company common stock, par value \$0.01; 100,000,000 shares authorized; 44,449,407 shares issued and outstanding at December 31, 2013		
Predecessor Company additional paid-in capital		846,658
Successor Company common stock, par value \$0.01; 250,000,000 shares authorized; 61,541,389 shares issued and outstanding at December 31, 2014	615	
Successor Company additional paid-in capital	1,251,197	
Accumulated other comprehensive (loss) income	(25,317)	53,722
Retained (deficit) earnings	(182,294)	66,644
Total Genco Shipping & Trading Limited shareholders equity	1,044,201	967,469
Noncontrolling interest	248,573	341,336
Total equity	1,292,774	1,308,805
Total liabilities and equity	\$ 1,752,913	\$ 2,957,254

See accompanying notes to consolidated financial statements.

## Genco Shipping &amp; Trading Limited

## Consolidated Statements of Operations

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

	Successor		Predecessor	
	Period from	Period from	Year Ended December 31,	
	July 9 to	January 1 to	2013	2012
	December 31,	July 9,		
	2014	2014		
	(restated)	(restated)		
<b>Revenues:</b>				
Voyage revenues	\$ 98,817	\$ 118,759	\$ 224,179	\$ 223,159
Service revenues	1,584	1,701	3,285	3,294
<b>Total revenues</b>	<b>100,401</b>	<b>120,460</b>	<b>227,464</b>	<b>226,453</b>
<b>Operating expenses:</b>				
Voyage expenses	7,525	4,140	8,046	7,009
Vessel operating expenses	56,943	64,670	111,671	114,318
General, administrative and management fees	36,915	31,371	34,031	35,673
Depreciation and amortization	36,714	75,952	140,743	139,063
Other operating income	(530)		(121)	(265)
Goodwill impairment	166,067			
<b>Total operating expenses</b>	<b>303,634</b>	<b>176,133</b>	<b>294,370</b>	<b>295,798</b>
<b>Operating loss</b>	<b>(203,233)</b>	<b>(55,673)</b>	<b>(66,906)</b>	<b>(69,345)</b>
<b>Other (expense) income:</b>				
Other income (expense)	36	(106)	(76)	(29)
Interest income	46	45	75	378
Interest expense	(7,620)	(41,061)	(88,216)	(87,558)
Other expense	(7,538)	(41,122)	(88,217)	(87,209)
<b>Loss before reorganization items, net</b>	<b>(210,771)</b>	<b>(96,795)</b>	<b>(155,123)</b>	<b>(156,554)</b>
<b>Reorganization items, net</b>	<b>(1,591)</b>	<b>(915,640)</b>		
<b>Loss before income taxes</b>	<b>(212,362)</b>	<b>(1,012,435)</b>	<b>(155,123)</b>	<b>(156,554)</b>
<b>Income tax expense</b>	<b>(996)</b>	<b>(815)</b>	<b>(1,898)</b>	<b>(1,222)</b>
<b>Net loss</b>	<b>(213,358)</b>	<b>(1,013,250)</b>	<b>(157,021)</b>	<b>(157,776)</b>
<b>Less: Net loss attributable to noncontrolling interest</b>	<b>(31,064)</b>	<b>(62,101)</b>	<b>(9,280)</b>	<b>(12,848)</b>
<b>Net loss attributable to Genco Shipping &amp; Trading Limited</b>	<b>\$ (182,294)</b>	<b>\$ (951,149)</b>	<b>\$ (147,741)</b>	<b>\$ (144,928)</b>
<b>Net loss per share-basic</b>	<b>\$ (3.02)</b>	<b>\$ (21.83)</b>	<b>\$ (3.42)</b>	<b>\$ (3.47)</b>
<b>Net loss per share-diluted</b>	<b>\$ (3.02)</b>	<b>\$ (21.83)</b>	<b>\$ (3.42)</b>	<b>\$ (3.47)</b>
<b>Weighted average common shares outstanding-basic</b>	<b>60,360,515</b>	<b>43,568,942</b>	<b>43,249,070</b>	<b>41,727,075</b>
<b>Weighted average common shares outstanding-diluted</b>	<b>60,360,515</b>	<b>43,568,942</b>	<b>43,249,070</b>	<b>41,727,075</b>
<b>Dividends declared per share</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

See accompanying notes to consolidated financial statements.

F-4

---

**Genco Shipping & Trading Limited**

Consolidated Statements of Comprehensive Loss

(U.S. Dollars in Thousands)

	Successor		Predecessor	
	Period from July 9 to December 31, 2014 (restated)	Period from January 1 to July 9, 2014 (restated)	Year Ended December 31, 2013 2012	
Net loss	\$ (213,358)	\$ (1,013,250)	\$ (157,021)	\$ (157,776)
Change in unrealized (loss) gain on investments	(25,317)	(25,766)	56,482	(3,480)
Unrealized gain on cash flow hedges, net		2,401	9,081	9,188
Other comprehensive (loss) income	(25,317)	(23,365)	65,563	5,708
Comprehensive loss	(238,675)	(1,036,615)	(91,458)	(152,068)
Less: Comprehensive loss attributable to noncontrolling interest	(31,064)	(62,101)	(9,280)	(12,848)
Comprehensive loss attributable to Genco Shipping & Trading Limited	\$ (207,611)	\$ (974,514)	\$ (82,178)	\$ (139,220)

See accompanying notes to consolidated financial statements.

## Genco Shipping &amp; Trading Limited

## Consolidated Statements of Equity

(U.S. Dollars in Thousands)

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

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

Cash dividends paid by Baltic Trading Limited				(6)		(6)		(1,583)		(1,589)				
Vesting of restricted shares issued by Baltic Trading Limited				(35)		(35)		35						
Balance December 31, 2013 (Predecessor)	\$	445	\$	846,658	\$	53,722	\$	66,644	\$	967,469	\$	341,336	\$	1,308,805
Net loss						(951,149)		(951,149)		(62,101)		(1,013,250)		
Unrealized loss on investments						(25,766)		(25,766)				(25,766)		
Unrealized gain on cash flow hedges, net						2,401		2,401				2,401		
Nonvested stock amortization				2,403				2,403		1,949		4,352		
Cash dividends paid by Baltic Trading Limited				(5)				(5)		(2,041)		(2,046)		
Vesting of restricted shares issued by Baltic Trading Limited				74				74		(74)				
Subtotal July 9, 2014 (Predecessor)	\$	445	\$	849,130	\$	30,357	\$	(884,505)	\$	(4,573)	\$	279,069	\$	274,496
Fresh-start adjustments:														
Cancellation of Predecessor common stock and accumulated deficit		(445)		(849,130)				884,505		34,930				34,930
Elimination of Predecessor accumulated other comprehensive income						(30,357)		(30,357)				(30,357)		
Issuance of new equity interest in connection with emergence from Chapter 11, including the \$100 Million Rights Offering 60,299,757 shares		603		1,232,397						1,233,000				1,233,000
Balance July 9, 2014 (Successor)	\$	603	\$	1,232,397	\$		\$		\$	1,233,000	\$	279,069	\$	1,512,069
Net loss						(182,294)		(182,294)		(31,064)		(213,358)		
Unrealized loss on investments						(25,317)		(25,317)				(25,317)		
Issuance of 131,017 shares of common stock		1		(1)										
Issuance of 1,110,600 shares of nonvested stock		11		(11)										
Nonvested stock amortization				18,854				18,854		1,551		20,405		
Cash dividends paid by Baltic Trading Limited				(3)				(3)		(1,022)		(1,025)		
Vesting of restricted shares issued by Baltic Trading Limited				(39)				(39)		39				
Balance December 31, 2014 (Successor)	\$	615	\$	1,251,197	\$	(25,317)	\$	(182,294)	\$	1,044,201	\$	248,573	\$	1,292,774

See accompanying notes to consolidated financial statements.

## Genco Shipping &amp; Trading Limited

## Consolidated Statements of Cash Flows

(U.S. Dollars in Thousands)

	Successor Period from July 9 to December 31, 2014 (restated)	Period from January 1 to July 9, 2014 (restated)	Predecessor  Year Ended December 31,	
			2013	2012
Cash flows from operating activities:				
Net loss	\$ (213,358)	\$ (1,013,250)	\$ (157,021)	\$ (157,776)
Adjustments to reconcile net loss to net cash used in operating activities:				
Non-cash reorganization items and fresh-start reporting adjustments, net				
Goodwill impairment	166,067	880,408		
Depreciation and amortization	36,714	75,952	140,743	139,063
Amortization of deferred financing costs	845	4,461	9,116	5,413
Amortization of time charters acquired	450	(68)	(334)	(746)
Amortization of discount on Convertible Senior Notes		1,592	4,963	4,537
Receipt of stock in lieu of cash payment			(100)	
Interest expense related to the de-designation of the interest rate swap		1,048		
Unrealized loss (gain) on derivative instruments			4	(100)
Amortization of nonvested stock compensation expense	20,405	4,352	4,482	5,864
Change in assets and liabilities:				
(Increase) decrease in due from charterers	(1,545)	1,047	(2,527)	1,974
Decrease (increase) in prepaid expenses and other current assets	8,343	(11,735)	(919)	(437)
(Decrease) increase in accounts payable and accrued expenses	(39,170)	32,534	2,765	(4,880)
Increase (decrease) in deferred revenue	400	(600)	273	(2,903)
Increase in lease obligations	390	195	143	1,324
Deferred drydock costs incurred	(6,376)	(9,253)	(4,732)	(10,167)
Net cash used in operating activities	(26,835)	(33,317)	(3,144)	(18,834)
Cash flows from investing activities:				
Purchase of vessels, including deposits	(24,473)	(29,995)	(145,350)	(1,155)
Purchase of other fixed assets	(208)	(415)	(1,205)	(2,114)
Changes in deposits of restricted cash	(19,420)	(125)		(400)
Net cash used in investing activities	(44,101)	(30,535)	(146,555)	(3,669)
Cash flows from financing activities:				
Repayments on the 2007 Credit Facility				(118,588)
Repayments on the \$100 Million Term Loan Facility	(3,846)	(3,846)		(15,385)
Repayments on the \$253 Million Term Loan Facility	(5,075)	(10,150)		(40,600)
Proceeds on the 2010 Baltic Trading Credit Facility			1,000	

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

Proceeds from the Baltic Trading \$22 Million Term Loan Facility			22,000	
Repayments on the Baltic Trading \$22 Million Term Loan Facility	(750)	(750)	(375)	
Proceeds from the Baltic Trading \$44 Million Term Loan Facility			44,000	
Repayments on the Baltic Trading \$44 Million Term Loan Facility	(1,375)	(1,375)		
Proceeds from the 2014 Baltic Trading Term Loan Facilities	33,150			
Payment of dividend by subsidiary	(1,025)	(2,046)	(1,589)	(4,081)
Cash settlement of non-accredited Note holders	(484)			
Proceeds from Rights Offering		100,000		
Proceeds from issuance of common stock				50,721
Payment of common stock issuance costs				(847)
Proceeds from issuance of common stock by subsidiary			136,980	
Payment of common stock issuance costs by subsidiary		(111)	(706)	
Payment of deferred financing costs	(2,322)	(4,515)	(1,489)	(4,085)
Net cash provided by (used in) financing activities	18,273	77,207	199,821	(132,865)
Net (decrease) increase in cash and cash equivalents	(52,663)	13,355	50,122	(155,368)
Cash and cash equivalents at beginning of period	136,077	122,722	72,600	227,968
Cash and cash equivalents at end of period	\$ 83,414	\$ 136,077	\$ 122,722	\$ 72,600

See accompanying notes to consolidated financial statements.

**Genco Shipping & Trading Limited**

(U.S. Dollars in Thousands)

Notes to Consolidated Financial Statements

1 - GENERAL INFORMATION

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

Bankruptcy Filing

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

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

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

Bank AG, Skandinaviska Enskilda Banken AB (publ) as swap providers, and Deutsche Bank Luxembourg S.A. as agent for the lenders and the assignee, relating to approximately \$175,718 of principal and accrued and unpaid interest, fees, costs, and other expenses (the \$253 Million Term Loan Facility );

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

As a result of the filing of the Chapter 11 Cases, all indebtedness outstanding under the 2007 Credit Facility and the Indenture was accelerated and became due and payable, and indebtedness under the other agreements and instruments described above were accelerated and become due and payable upon notice to the Company, subject to an automatic stay of any action to collect, assert, or recover a claim against the Company or the other Debtors and the application of the applicable provisions of the Bankruptcy Code.

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

Key components of the Plan included:

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

the Chapter 11 Cases of all Allowed General Unsecured Claims, including Allowed Claims of trade vendors, suppliers, customers and charterers, per the approval by the Bankruptcy Court.

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

#### Registration Rights Agreement

On the Effective Date, the Successor Company and the Registration Rights Parties entered into the Registration Rights Agreement. The Registration Rights Agreement provided the Registration Rights Parties who receive 10% or more of the Successor Company's Common Stock under the Plan with demand and piggyback registration rights. All other Registration Rights Parties have piggyback registration rights only.

Reorganization Value

The Plan as confirmed by the Bankruptcy Court estimated the distributable value of the Successor's equity to be \$1.23 billion (the Distributable Value). Various valuation methodologies were considered in the bankruptcy proceedings to estimate the Distributable Value. These methodologies included:

- An asset-based methodology using net asset value, which incorporated (i) third-party appraisals of vessels, (ii) trading values for freely traded securities, (iii) book values for other balance sheet accounts and (iv) discounted cash flows for material contracts.
- A precedent transactions methodology, which incorporated relevant transactions announced in the previous five years.
- A comparable company methodology, which evaluated drybulk companies with similar operating profiles and adjusting to reflect differing characteristics like vessel ages. The comparable company methodology takes into account comparable companies (i) capital structure, (ii) trading values, (iii) asset values, and (iv) projected EBITDA. Projected EBITDA of each comparable company was determined by relying on equity research analyst projections.
- A discounted cash flow methodology, which was premised on (i) the Company's business plan, which incorporated leading industry consultant charter rate forecasts, (ii) a weighted average cost of capital of 10.1% and (iii) a terminal value based on the projected asset value of the fleet at the end of the four-year projection period.

The Distributable Value of the Company ranged from \$1.1 - \$1.4 billion based upon consideration of these various methodologies. Ultimately, after this was challenged in the bankruptcy proceedings, the bankruptcy court approved a Distributable Value in the amount of \$1.23 billion in conjunction with confirmation of the plan, which was within this range and based on the asset-based methodology described above. Management believed that the Distributable Value of \$1.23 billion, which was derived using the asset based methodology described above and was approved by the bankruptcy court, provided the best representation of the Company's post-emergence reorganization value as defined in ASC 852.

Such valuation assumptions are not a prediction or reflection of post-confirmation trading prices of the Debtors' common stock. Such securities may trade at substantially lower or higher prices because of a number of factors. The trading prices of securities issued under a plan of reorganization are subject to many unforeseen circumstances and therefore cannot be predicted. The Company's reorganization plan was based upon a distributable value of \$1.23 billion which was agreed to by the petition lenders as part of a settlement embodied in the plan.

Successor Company Equity Warrant Agreement

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

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

### Financial Statement Presentation

Upon the Company's emergence from the Chapter 11 Cases on July 9, 2014, the Company adopted fresh-start reporting in accordance with provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 852, "Reorganizations" ("ASC 852"). Upon adoption of fresh-start reporting, the Company's assets and liabilities were recorded at their value as of the fresh-start reporting date. The fair values of the Company's assets and liabilities in conformance with ASC 805, "Business Combinations," as of that date differed materially from the recorded values of its assets and liabilities as reflected in its historical consolidated financial statements. In addition, the Company's adoption of fresh-start reporting may materially affect its results of operations following the fresh-start reporting dates, as the Company will have a new basis in its assets and liabilities. Consequently, the Company's historical financial statements may not be reliable indicators of its financial condition and results of operations for any period after it adopted fresh-start reporting. As a result of the adoption of fresh-start reporting, the Company's consolidated balance sheets and consolidated statements of operations subsequent to July 9, 2014 will not be comparable in many respects to our consolidated balance sheets and consolidated statements of operations prior to July 9, 2014.

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

The following fresh-start balance sheet illustrates the financial effects on the Company of the implementation of the Plan and the adoption of fresh-start reporting. This fresh-start balance sheet reflects the effect of the completion of the transactions included in the Plan, including the issuance of equity and the settlement of old indebtedness. See Note 28 for details associated with the restatement of the certain previously reported financial information associated with the accounting for these transactions.

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

	Fresh-Start Adjustments				
	Predecessor July 9, 2014	Debt Discharge and Equity Issuance (a) (restated)	Reinstatement of Liabilities (b)	Revaluation of Assets and Liabilities (c) (restated)	Successor July 9, 2014
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 48,551	\$ 87,526			\$ 136,077
Restricted cash	9,975				9,975
Due from charterers, net	13,194				13,194
Prepaid expenses and other current assets	30,800			(41)	30,759
Time charters acquired				450	450
Total current assets	102,520	87,526		409	190,455
Noncurrent assets:					
Vessels, net	2,604,731			(1,065,882)	1,538,849
Deposits on vessels	28,658			2,317	30,975
Deferred drydock, net	16,584			(16,396)	188
Deferred financing costs, net	18,953	(11,893)			7,060
Fixed assets, net	4,053			(3,443)	610
Other noncurrent assets	514				514
Restricted cash	300				300
Investments	51,804				51,804
Goodwill				166,067	166,067
Total noncurrent assets	2,725,597	(11,893)		(917,337)	1,796,367
Total assets	\$ 2,828,117	\$ 75,633		\$ (916,928)	\$ 1,986,822
<b>Liabilities and Equity</b>					
Current liabilities not subject to compromise:					
Accounts payable and accrued expenses	\$ 60,333	\$ (1,086)	\$ 6,478		\$ 65,725
Current portion of long-term debt	4,250		27,992		32,242
Deferred revenue	997				997
Time charters acquired	16			(16)	
Total current liabilities not subject to compromise	65,596	(1,086)	34,470	(16)	98,964
Noncurrent liabilities not subject to compromise:					
Long-term lease obligations	2,670			(2,670)	
Long-term debt	161,500		214,289		375,789
Total noncurrent liabilities not subject to compromises	164,170		214,289	(2,670)	375,789
Total liabilities subject to compromise	1,443,446	(1,194,687)	(248,759)		
Total liabilities	1,673,212	(1,195,773)		(2,686)	474,753
Equity:					
Genco Shipping & Trading Limited shareholders' equity:					

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

Predecessor Common stock	445	(445)		
Predecessor Additional paid-in capital	849,130	(849,130)		
Successor Common stock		603		603
Successor Additional paid-in capital		1,232,397		1,232,397
Accumulated other comprehensive income	30,357	(30,357)		
Retained (deficit) earnings	(57,463)	918,338	(860,875)	
Total Genco Shipping & Trading Limited shareholders equity	822,469	1,271,406	(860,875)	1,233,000
Noncontrolling interest	332,436		(53,367)	279,069
Total equity	1,154,905	1,271,406	(914,242)	1,512,069
Total liabilities and equity	\$ 2,828,117	\$ 75,633	\$ (916,928)	\$ 1,986,822

F-11

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

1. Items comprising the net gain on settlement of liabilities subject to compromise in exchange for equity issuance see Note 21.

	<b>Predecessor Period from January 1 to July 9, 2014</b>
Discharge of the outstanding debt under the 2007 Credit Facility	\$ 1,055,912
Discharge of the long-term interest payable due pursuant to the 2007 Credit Facility	13,199
Discharge of the 2010 Notes liability	117,473
Discharge of coupon interest on the 2010 Notes liability	1,105
The elimination of deferred financing fees associated with the discharged obligations	(15,383)
The elimination of accumulated other comprehensive income related to interest rate swaps associated with the discharged obligations	(4,574)
Issuance of Successor common stock	(1,133,900)
Net gain on the discharge of Predecessor liabilities related to liabilities subject to compromise and associated issuance of Successor equity	\$ 33,832

2. Other items associated with the settlement of liabilities subject to compromise:

- The payment of interest expense accrued up to the Effective Date of \$1,772, \$59 and \$156 for the 2007 Credit Facility, the \$100 Million Term Loan Facility and the \$253 Million Term Loan Facility, respectively.

- The paydown on the Effective Date of \$1,923 and \$5,075 for the \$100 Million Term Loan Facility and \$253 Million Term Loan Facility, respectively, which were due on the Effective Date as they were not paid during the pendency of the Chapter 11 Cases.

- The payment of deferred financing fees of \$3,490 for the Amended and Restated \$100 Million and \$253 Million Term Loan Facilities.

3. The reclassification to retained (deficit) earnings of \$34,931 related to the gain associated with the Company's investments.

4. The reclassification of \$900 of initial equity to accounts payable that represents the estimated amount of the

notes discharged that will be paid in cash to nonaccredited investors.

5. The reclassification to retained (deficit) earnings of the Predecessor common stock of \$445 and Predecessor additional paid in capital of \$849,130.

6. Receipt of the proceeds of the \$100,000 rights offering pursuant to the Plan.

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

- The reclassification of the debt outstanding under the Amended and Restated \$100 Million Term Loan Facility. This includes \$7,692 of current long-term debt and \$63,946 of long-term debt.
  
  - The reclassification of the debt outstanding under the Amended and Restated \$253 Million Term Loan Facility. This includes \$20,300 of current long-term debt and \$150,343 of long-term debt.
  
  - The reinstatement of \$5,622 related to the termination of the interest rate swap agreement with DNB Bank ASA.
  
  - The reinstatement of the \$815 lease obligation.
  
  - The reinstatement of \$41 of pre-petition accounts payable due to vendors in the United States.
- (c) Revaluation of Assets and Liabilities Fresh-start reporting adjustments are made to reflect asset values at their estimated fair value, including:
- Adjustment of \$179 to prepaid amounts for the Predecessor Company.
  
  - Adjustment to reflect the fair value of time charters acquired of \$434.
  
  - Adjustment of \$1,083,404 to reflect the fair value of vessel assets, vessel deposits, drydocking assets and other fixed assets as of the Effective Date. The portion of the asset revaluation associated with Baltic Trading's noncontrolling interest in the amount of \$74,355 was reflected as a reduction of noncontrolling interest.
  
  - Adjustment of \$2,670 to reflect the fair value of the Company's current lease agreement, which was previously recorded as long-term lease obligations. As of the Effective Date, the lease agreement has been valued at below market; therefore, we have recorded in Prepaid expenses and other current assets an asset of \$138, which will be amortized over the remaining life of the lease agreement.

- Goodwill in the amount of \$166,067 was recognized, which represents the portion of the total reorganization value that was not attributed to specific tangible or identifiable intangible assets. The portion of the goodwill recognized in relation to Baltic Trading noncontrolling interest in the amount of \$24,022 was reflected as an increase in noncontrolling interest. A summary of the allocation of the reorganization value to the fair value of the Successor Company net assets, including goodwill, is as follows:

			<b>Total</b>
<b><u>Reorganization Value</u></b>			
Value of shares issued to pre-petition claimants	\$	1,133,000	
Proceeds of rights offering		100,000	\$ 1,233,000
<b><u>Estimated fair value of debt</u></b>			
Current portion of long-term debt		32,242	
Long term debt		375,789	408,031
<b><u>Estimated fair value of non-debt liabilities</u></b>			
Deferred revenue		997	
Accounts payable and accrued expenses		65,725	66,722
Noncontrolling interest			279,069
Reorganization value of assets			1,986,822
Estimated fair value of assets (excluding goodwill) (a)			(1,820,755)
Reorganization value of assets in excess of fair value goodwill	\$		166,067

(a) Estimated fair value of assets (excluding goodwill) consists of:

Total current assets	\$	190,455
Vessels, net		1,538,849
Deposits on vessels		30,975
Deferred drydock, net		188
Deferred financing costs, net		7,060
Fixed assets, net		610
Other noncurrent assets		514
Restricted cash		300
Investments		51,804
Total assets excluding goodwill	\$	1,820,755

- The total reduction of \$53,367 in noncontrolling interest is due to the adjustment of the fair value of the noncontrolling interest derived from the Baltic Trading asset revaluation and goodwill described above and an additional revaluation adjustment of \$3,034. The revalued noncontrolling interest was determined based on a relative fair value allocation of Baltic Trading Limited's estimated equity value as July 8, 2015, which multiplied the percentage of Baltic Trading Limited's equity ownership attributable to non-controlling interests by the estimated equity value of Baltic Trading Limited as of such date. The estimated equity value of Baltic Trading Limited as of such date was determined by multiplying the closing price of Baltic Trading Limited's publicly traded common stock by the total number of shares of Baltic Trading Limited's common stock and Class B stock outstanding on July 8, 2015.

#### Other General Information

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

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

Wholly Owned Subsidiaries	Vessel Acquired	Dwt	Delivery Date	Year Built
Genco Reliance Limited	Genco Reliance	29,952	12/6/04	1999
Genco Vigour Limited	Genco Vigour	73,941	12/15/04	1999
Genco Explorer Limited	Genco Explorer	29,952	12/17/04	1999
Genco Carrier Limited	Genco Carrier	47,180	12/28/04	1998
Genco Sugar Limited	Genco Sugar	29,952	12/30/04	1998
Genco Pioneer Limited	Genco Pioneer	29,952	1/4/05	1999
Genco Progress Limited	Genco Progress	29,952	1/12/05	1999
Genco Wisdom Limited	Genco Wisdom	47,180	1/13/05	1997
Genco Success Limited	Genco Success	47,186	1/31/05	1997
Genco Beauty Limited	Genco Beauty	73,941	2/7/05	1999
Genco Knight Limited	Genco Knight	73,941	2/16/05	1999
Genco Leader Limited	Genco Leader	73,941	2/16/05	1999

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

Genco Marine Limited	Genco Marine	45,222	3/29/05	1996
Genco Prosperity Limited	Genco Prosperity	47,180	4/4/05	1997
Genco Muse Limited	Genco Muse	48,913	10/14/05	2001
Genco Acheron Limited	Genco Acheron	72,495	11/7/06	1999
Genco Surprise Limited	Genco Surprise	72,495	11/17/06	1998
Genco Augustus Limited	Genco Augustus	180,151	8/17/07	2007
Genco Tiberius Limited	Genco Tiberius	175,874	8/28/07	2007
Genco London Limited	Genco London	177,833	9/28/07	2007
Genco Titus Limited	Genco Titus	177,729	11/15/07	2007
Genco Challenger Limited	Genco Challenger	28,428	12/14/07	2003
Genco Charger Limited	Genco Charger	28,398	12/14/07	2005
Genco Warrior Limited	Genco Warrior	55,435	12/17/07	2005
Genco Predator Limited	Genco Predator	55,407	12/20/07	2005
Genco Hunter Limited	Genco Hunter	58,729	12/20/07	2007
Genco Champion Limited	Genco Champion	28,445	1/2/08	2006
Genco Constantine Limited	Genco Constantine	180,183	2/21/08	2008
Genco Raptor LLC	Genco Raptor	76,499	6/23/08	2007
Genco Cavalier LLC	Genco Cavalier	53,617	7/17/08	2007
Genco Thunder LLC	Genco Thunder	76,588	9/25/08	2007
Genco Hadrian Limited	Genco Hadrian	169,694	12/29/08	2008
Genco Commodus Limited	Genco Commodus	169,025	7/22/09	2009
Genco Maximus Limited	Genco Maximus	169,025	9/18/09	2009
Genco Claudius Limited	Genco Claudius	169,025	12/30/09	2010
Genco Bay Limited	Genco Bay	34,296	8/24/10	2010
Genco Ocean Limited	Genco Ocean	34,409	7/26/10	2010
Genco Avra Limited	Genco Avra	34,391	5/12/2011	2011
Genco Mare Limited	Genco Mare	34,428	7/20/2011	2011
Genco Spirit Limited	Genco Spirit	34,432	11/10/2011	2011
Genco Aquitaine Limited	Genco Aquitaine	57,981	8/18/10	2009
Genco Ardennes Limited	Genco Ardennes	57,981	8/31/10	2009
Genco Auvergne Limited	Genco Auvergne	57,981	8/16/10	2009
Genco Bourgogne Limited	Genco Bourgogne	57,981	8/24/10	2010
Genco Brittany Limited	Genco Brittany	57,981	9/23/10	2010
Genco Languedoc Limited	Genco Languedoc	57,981	9/29/10	2010
Genco Loire Limited	Genco Loire	53,416	8/4/10	2009
Genco Lorraine Limited	Genco Lorraine	53,416	7/29/10	2009
Genco Normandy Limited	Genco Normandy	53,596	8/10/10	2007
Genco Picardy Limited	Genco Picardy	55,257	8/16/10	2005
Genco Provence Limited	Genco Provence	55,317	8/23/10	2004

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

Genco Pyrenees Limited	Genco Pyrenees	57,981	8/10/10	2010
Genco Rhone Limited	Genco Rhone	58,018	3/29/2011	2011

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

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

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

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

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

Baltic Trading's Wholly Owned Subsidiaries	Vessel Acquired	Dwt	Delivery Date	Year Built
Baltic Leopard Limited	Baltic Leopard	53,447	4/8/10	2009
Baltic Panther Limited	Baltic Panther	53,351	4/29/10	2009
Baltic Cougar Limited	Baltic Cougar	53,432	5/28/10	2009
Baltic Jaguar Limited	Baltic Jaguar	53,474	5/14/10	2009
Baltic Bear Limited	Baltic Bear	177,717	5/14/10	2010
Baltic Wolf Limited	Baltic Wolf	177,752	10/14/10	2010
Baltic Wind Limited	Baltic Wind	34,409	8/4/10	2009
Baltic Cove Limited	Baltic Cove	34,403	8/23/10	2010
Baltic Breeze Limited	Baltic Breeze	34,386	10/12/10	2010
Baltic Fox Limited	Baltic Fox	31,883	9/6/13	2010
Baltic Hare Limited	Baltic Hare	31,887	9/5/13	2009
Baltic Lion Limited	Baltic Lion	179,185	12/27/13	2012
Baltic Tiger Limited	Baltic Tiger	179,185	11/26/13	2011
Baltic Hornet Limited	Baltic Hornet	63,574	10/29/14	2014
Baltic Wasp Limited	Baltic Wasp	63,389	1/2/15	2015
Baltic Scorpion Limited	Baltic Scorpion	64,000	Q2 2015 (1)	2015(1)
Baltic Mantis Limited	Baltic Mantis	64,000	Q3 2015 (1)	2015(1)

---

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

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

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

## 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of consolidation

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

### Basis of reporting

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

### Business geographics

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

### Vessel acquisitions

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

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

#### Segment reporting

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

#### Revenue and voyage expense recognition

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

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

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

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

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

#### Other operating income

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

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

F-17

---

Due from charterers, net

Due from charterers, net includes accounts receivable from charters, net of the provision for doubtful accounts. At each balance sheet date, the Company records the provision based on a review of all outstanding charter receivables. Included in the standard time charter contracts with the Company's customers are certain performance parameters which, if not met, can result in customer claims. As of December 31, 2014 and 2013, the Company had a reserve of \$1,588 and \$632, respectively, against the due from charterers balance and an additional accrual of \$662 and \$536, respectively, in deferred revenue, each of which is primarily associated with estimated customer claims against the Company including vessel performance issues under time charter agreements.

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

Inventories

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

Vessel operating expenses

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

Vessels, net

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

Depreciation expense is calculated based on cost less the estimated residual scrap value. The costs of significant replacements, renewals and betterments are capitalized and depreciated over the shorter of the vessel's remaining estimated useful life or the estimated life of the renewal or betterment. Undepreciated cost of any asset component being replaced that was acquired after the initial vessel purchase is written off as a

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

component of vessel operating expense. Expenditures for routine maintenance and repairs are expensed as incurred. Scrap value is estimated by the Company by taking the cost of steel times the weight of the ship noted in lightweight tons (lwt). Effective July 9, 2014, on the Effective Date, the Company increased the estimated scrap value of the vessels from \$245 per lwt to \$310 per lwt prospectively based on the 15-year average scrap value of steel. The change in the estimated scrap value will result in a decrease in depreciation expense over the remaining life of the vessel assets. During the period from July 9 to December 31, 2014, the increase in the estimated scrap value resulted in a decrease in depreciation expense of \$1,540 for the Successor Company. The decrease in depreciation expense resulted in a \$0.03 change to the basic and diluted net loss per share during the period from July 9 to December 31, 2014. The basic and diluted net loss per share would have been (\$3.05) per share if there was no change in the estimated scrap value.

### Fixed assets, net

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

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

Depreciation and amortization expense for fixed assets for the period from July 9 to December 31, 2014 for the Successor Company was \$119. Depreciation and amortization expense for fixed assets for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012 for the Predecessor Company was \$458, \$1,481 and \$888, respectively.

#### Deferred drydocking costs

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

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

#### Goodwill

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

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

#### Impairment of long-lived assets

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

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

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

### Deferred financing costs

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

### Cash and cash equivalents

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

### Investments

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

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

### Income taxes

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

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

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

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

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

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

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

During the period from July 9 to December 31, 2014, Baltic Trading had U.S. source shipping income of \$450. Baltic Trading's estimated U.S. gross transportation income tax expense for the period from July 9 to December 31, 2014 was \$18. During the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, Baltic Trading had U.S. source shipping income of \$965, \$832 and \$690, respectively. Baltic Trading's U.S. gross transportation income tax expense for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012 was \$39, \$34 and \$28, respectively.

In addition to GS&T's shipping income and pursuant to certain agreements, GS&T technically and commercially manages vessels for Baltic Trading, and provides technical management of vessels for MEP in exchange for fees. These management services are performed by Genco Management (USA) Limited (Genco (USA)), which has elected to be classified (and taxed) as a corporation for U.S. federal income tax purposes. As such, Genco (USA) is subject to U.S. federal net income tax (currently imposed at graduated rates of up to 35%) on its worldwide net income, including the net income derived from providing these management services. Genco (USA) has entered into a cost-sharing agreement with the Company and Genco Ship Management LLC, collectively Manco, pursuant to which Genco (USA) agrees to reimburse Manco for the costs incurred by Genco (USA) for the use of Manco's personnel and services in connection with the provision of management services for both Baltic Trading and MEP's vessels.

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

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

### Deferred revenue

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

### Comprehensive income

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

Nonvested stock awards

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

Accounting estimates

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

Concentration of credit risk

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

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

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

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

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

Fair value of financial instruments

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

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

Derivative financial instruments

Interest rate risk management

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

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

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

#### Recent accounting pronouncements

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

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

### 3 - SEGMENT INFORMATION

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

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

	Successor		Predecessor	
	Period from		For the Years Ended December 31,	
	July 9	January 1	2013	2012
	to December 31,	to July 9,		
	2014	2014		
<b><u>Voyage revenue from external customers</u></b>				
GS&T	\$ 77,885	\$ 94,171	\$ 188,206	\$ 195,855
Baltic Trading	20,932	24,588	35,973	27,304
Total operating segments	98,817	118,759	224,179	223,159
Eliminating revenue				
Total consolidated voyage revenue from external customers	\$ 98,817	\$ 118,759	\$ 224,179	\$ 223,159

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

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

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

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

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

	Successor		Predecessor	
	Period from	Period from	For the Years Ended December 31,	
	July 9	January 1		
	to December 31,	to July 9,		
	2014	2014		

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

	2014		2014		2013		2012	
<b><u>Interest expense</u></b>								
GS&T	\$	4,791	\$	37,998	\$	83,761	\$	83,306
Baltic Trading		2,829		3,063		4,455		4,252
Total operating segments		7,620		41,061		88,216		87,558
Eliminating interest expense								
Total consolidated interest expense	\$	7,620	\$	41,061	\$	88,216	\$	87,558

F-24

---

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

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

	Successor		Predecessor	
	Period from July 9 to December 31, 2014	Period from January 1 to July 9, 2014 (restated)	For the Years Ended December 31, 2013                      2012	
<b>Net loss</b>				
GS&T	\$ (177,921)	\$ (919,680)	\$ (144,054)	\$ (139,295)
Baltic Trading	(35,032)	(93,430)	(11,392)	(17,270)
Total operating segments	(212,953)	(1,013,110)	(155,446)	(156,565)
Eliminating net loss	405	140	1,575	1,211
Total consolidated net loss	\$ (213,358)	\$ (1,013,250)	\$ (157,021)	\$ (157,776)

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

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

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

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

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

Eliminating expenditures for vessels	(280)	(1,440)		
Total consolidated expenditures for vessels	\$ 24,473	\$ 29,995	\$ 145,350	\$ 1,155

F-25

---

4 - CASH FLOW INFORMATION

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

For the period from July 9 to December 31, 2014, the Successor Company had non-cash investing activities not included in the Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses consisting of \$464 for the Purchase of vessels, including deposits and \$22 for the Purchase of other fixed assets. Additionally, for the period from July 9 to December 31, 2014, the Successor Company had non-cash financing activities not included in the Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses consisting of \$2,190 associated with the Payment of deferred financing fees. Lastly, for the period from July 9 to December 31, 2014, the Successor Company had non-cash investing activities not included in the Consolidated Statement of Cash Flows for items included in Prepaid expenses and other current assets consisting of \$7 associated with the Purchase of vessels, including deposits.

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

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

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

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

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

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

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

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

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

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

On May 16, 2013, the Company made grants of nonvested common stock in the amount of 200,634 shares in the aggregate to directors of the Company. The grant date fair value of such nonvested stock was \$315. On May 17, 2012, November 7, 2012 and December 13, 2012, the Company made grants of nonvested common stock in the amount of 15,000, 2,500 and 52,500 shares, respectively, to directors of the Company. The grant date fair value of such nonvested stock was \$53, \$7 and \$141, respectively. These shares vested on May 16, 2013. On December 13, 2012, the Board of Directors approved a grant of 100,000 shares of nonvested common stock to Peter C. Georgiopoulos, Chairman of the Board, which had a grant date fair value of \$268. Lastly, on December 13, 2012, the Company granted 294,175 shares of nonvested stock to certain employees. The grant date fair value of such nonvested stock was \$788. These nonvested shares were cancelled on the Effective Date and the holder received warrants to acquire shares of New Genco Common Stock. Refer to Note 1 - General Information for information regarding the Chapter 11 Cases.

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

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

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

## 5 GOODWILL IMPAIRMENT

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

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

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

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

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

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

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

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

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

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

6 - VESSEL ACQUISITIONS

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

On October 31, 2013, Baltic Trading entered into agreements to purchase two Capesize drybulk vessels from affiliates of SK Shipping Co. Ltd. for an aggregate purchase price of \$103,000. The Baltic Lion, a 2012-built Capesize vessel, was delivered on December 27, 2013, and the Baltic Tiger, a 2011-built Capesize vessel, was delivered on November 26, 2013. Baltic Trading financed the vessel purchases with cash on hand and borrowings under its \$44 Million Term Loan Facility entered into on December 3, 2013. Refer to Note 10 Debt below for further information regarding the Baltic Trading \$44 Million Term Loan Facility.

On November 13, 2013, Baltic Trading entered into agreements to purchase up to four 64,000 dwt Ultramax newbuilding drybulk vessels from Yangfan Group Co., Ltd. for a purchase price of \$28,000 per vessel, or up to \$112,000 in the aggregate. Baltic Trading agreed to purchase two such vessels, to be renamed the Baltic Hornet and Baltic Wasp, and obtained an option to purchase up to two additional such vessels for the same purchase price, which Baltic Trading exercised on January 8, 2014. These vessels are to be renamed the Baltic Mantis and the Baltic Scorpion. The purchases are subject to completion of customary additional documentation and closing conditions. The first of these vessels, the Baltic Hornet, was delivered to Baltic Trading on October 29, 2014. The Baltic Wasp was delivered to Baltic Trading on January 2, 2015. The Baltic Scorpion and the Baltic Mantis are expected to be delivered to Baltic Trading during the second and third quarters of 2015, respectively. As of December 31, 2014 and December 31, 2013, deposits on vessels were \$25,593 and \$1,013, respectively. Baltic Trading intends to use a combination of cash on hand, future cash flow from operations as well as debt or equity financing, including the 2014 Baltic Trading Term Loan Facilities and the Baltic Trading \$148 Million Credit Facility as described in Note 10 Debt, to fully finance the acquisition of these four Ultramax newbuilding drybulk vessels. On December 30, 2014, Baltic Trading paid \$19,645 for the final payment due for the Baltic Wasp, which has been classified as noncurrent Restricted Cash in the Consolidated Balance Sheets as of December 31, 2014 as the payment was held in an escrow account and not released to the seller until the vessel was delivered to Baltic Trading on January 2, 2015.

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

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

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

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

## 7 INVESTMENTS

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

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

The Company reviews the investment in Jinhui and KLC for impairment on a quarterly basis. There were no impairment charges recognized during the period from July 9 to December 31, 2014, January 1 to July 9, 2014 or during the years ended December 31, 2013 and 2012. In determining whether the Company has an other than temporary impairment, we considered that the most precipitous decline in Jinhui's stock value began during September of 2014. As the duration and severity of the decline was generally consistent with the overall drybulk shipping sector and the Company had the intent and ability to hold the investment for a period sufficient to allow for recovery of cyclical declines in the drybulk shipping sector, we determined that the decline in the fair value of the Company's investment in Jinhui was not other than temporary at December 31, 2014.

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

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

8 - NET LOSS PER SHARE

The computation of basic net loss per share is based on the weighted-average number of common shares outstanding during the year. The computation of diluted net loss per share assumes the vesting of nonvested stock awards (refer to Note 24 Stock-Based Compensation), for which the assumed proceeds upon vesting are deemed to be the amount of compensation cost attributable to future services and are not yet recognized using the treasury stock method, to the extent dilutive. Of the 1,110,600 and 0 nonvested shares outstanding at December 31, 2014 and July 9, 2014 for the Successor Company and Predecessor Company, respectively (refer to Note 24 Stock-Based Compensation), all are anti-dilutive. The Successor Company's diluted net loss per share will also reflect the assumed conversion of the Equity Warrants and MIP Warrants issued by the Successor Company if the impact is dilutive under the treasury stock method. The Predecessor Company's diluted net loss per share will also reflect the assumed conversion under the Predecessor Company's convertible debt if the impact is dilutive under the if-converted method. The impact of the shares convertible under the Predecessor Company's convertible notes is excluded from the computation of diluted net loss per share when interest expense per common share obtainable upon conversion is greater than basic earnings per share.

The components of the denominator for the calculation of basic net loss per share and diluted net loss per share are as follows:

	Successor Period from July 9 to December 31, 2014	Period from January 1 to July 9, 2014	Predecessor  Year Ended December 31, 2013 2012	
<b>Common shares outstanding, basic:</b>				
Weighted-average common shares outstanding, basic	60,360,515	43,568,942	43,249,070	41,727,075
<b>Common shares outstanding, diluted:</b>				
Weighted-average common shares outstanding, basic	60,360,515	43,568,942	43,249,070	41,727,075
Dilutive effect of warrants				
Dilutive effect of convertible notes				
Dilutive effect of restricted stock awards				
Weighted-average common shares outstanding, diluted	60,360,515	43,568,942	43,249,070	41,727,075

The following table sets forth a reconciliation of the net loss attributable to GS&T and the net loss attributable to GS&T for diluted net loss per share under the if-converted method:

	Successor Period from July 9 to December 31, 2014 (restated)	Period from January 1 to July 9, 2014 (restated)	Predecessor  Year Ended December 31, 2013 2012	
Net (loss) income attributable to GS&T	\$ (182,294)	\$ (951,149)	\$ (147,741)	\$ (144,928)

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

Interest expense related to convertible notes, if dilutive

Net (loss) income attributable to GS&T for the computation of diluted net (loss) income per share

\$	(182,294)	\$	(951,149)	\$	(147,741)	\$	(144,928)
----	-----------	----	-----------	----	-----------	----	-----------

F-30

---

## 9 - RELATED PARTY TRANSACTIONS

The following represent related party transactions reflected in these consolidated financial statements:

The Company makes available employees performing internal audit services to General Maritime Corporation ( GMC ), where the Company's Chairman, Peter C. Georgiopoulos, also serves as Chairman of the Board. For the period from July 9 to December 31, 2014, the Successor Company invoiced \$12 to GMC and for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012, the Predecessor Company invoiced \$72, \$145 and \$175, respectively, to GMC. The amounts billed to GMC include time associated with such internal audit services and other expenditures. Additionally, during the period from July 9 to December 31, 2014, the Successor Company incurred travel and other office related expenditures totaling \$53. For the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, the Predecessor Company incurred travel and other office related expenditures totaling \$49, \$133 and \$87, respectively. These amounts are reimbursable to GMC or its service provider. At December 31, 2014 and 2013, the amount due to GMC from the Company was \$41 and \$16, respectively.

During the period from July 9 to December 31, 2014, the Successor Company incurred legal services (primarily in connection with vessel acquisitions) aggregating \$11 from Constantine Georgiopoulos, the father of Peter C. Georgiopoulos, Chairman of the Board. Additionally, during the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, the Predecessor Company incurred legal services aggregating \$3, \$48 and \$11, respectively, from Constantine Georgiopoulos. At December 31, 2014 and 2013, the amount due to Constantine Georgiopoulos was \$9 and \$25, respectively.

GS&T and Baltic Trading have entered into agreements with Aegean Marine Petroleum Network, Inc. ( Aegean ) to purchase lubricating oils for certain vessels in their fleets. Peter C. Georgiopoulos, Chairman of the Board of the Company, is Chairman of the Board of Aegean. During the period from July 9 to December 31, 2014, Aegean supplied lubricating oils to the Successor Company's vessels aggregating \$790. Additionally, during the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, Aegean supplied lubricating oils to the Predecessor Company's vessels aggregating \$1,087, \$1,521 and \$1,517, respectively. At December 31, 2014 and 2013, \$267 and \$263 remained outstanding, respectively.

During the period from July 9 to December 31, 2014, the Successor Company invoiced MEP for technical services provided and expenses paid on MEP's behalf aggregating \$1,618. During the period from January 1 to July 9, 2014 and during the years ended December 31, 2013 and 2012, the Predecessor Company invoiced MEP for technical services provided and expenses paid on MEP's behalf aggregating \$1,743, \$3,430 and \$3,396, respectively. Peter C. Georgiopoulos, Chairman of the Board, controls and has a minority interest in MEP. At December 31, 2014 and 2013, \$10 and \$7, respectively, was due to the Company from MEP. Total service revenue earned by the Successor Company for the technical service provided to MEP for the period from July 9 to December 31, 2014 was \$1,584. Total service revenue earned by the Predecessor Company for technical services provided to MEP for the period from January 1 to July 9, 2014 and for the years ended December 31, 2013 and 2012 was \$1,701, \$3,285 and \$3,294, respectively.

## 10 - DEBT

Long-term debt consists of the following:

Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

	Successor December 31, 2014	Predecessor December 31, 2013
2007 Credit Facility	\$	\$ 1,055,912
\$100 Million Term Loan Facility	67,792	75,484
\$253 Million Term Loan Facility	165,568	180,793
2010 Baltic Trading Credit Facility	102,250	102,250
Baltic Trading \$22 Million Term Loan Facility	20,125	21,625
Baltic Trading \$44 Million Term Loan Facility	41,250	44,000
2014 Baltic Trading Term Loan Facilities	33,150	
Less: Current portion	(34,324)	(1,316,439)
Long-term debt	\$ 395,811	\$ 163,625

F-31

---

Bankruptcy Proceedings

To allow discussions with the Company's creditors concerning the Company's restructuring to continue into April 2014 without the need to file for immediate bankruptcy relief, on March 31, 2014, the Company entered into agreements with certain of the lenders under our 2007 Credit Facility, our \$100 Million Term Loan Facility, and our \$253 Million Term Loan Facility (our Credit Facilities) to obtain waivers or forbearances with respect to certain potential or actual events of default as of March 31, 2014 as follows (the Relief Agreements):

- not making the scheduled amortization payment on March 31, 2014 under our 2007 Credit Facility;
- not meeting the consolidated interest ratio covenant for the period ended March 31, 2014;
- not meeting the maximum leverage ratio covenant for the period ending March 31, 2014;
- not meeting the collateral maintenance test under the 2007 Credit Facility;
- not meeting the minimum cash balance covenant under the 2007 Credit Facility;
- not furnishing audited financial statements to the lenders within 90 days after year end for the year ended December 31, 2013;
- a cross-default with respect to our outstanding interest rate swap with respect to the foregoing;
- cross-defaults among our credit facilities with respect to the foregoing; and
- any related defaults or events of default resulting from the failure to give notice with respect to any of the foregoing.

The Relief Agreement for our 2007 Credit Facility provided that the agent and consenting lenders would forbear to exercise their rights and remedies through 11:59 p.m. on April 1, 2014 with respect to the foregoing potential or actual events of default, subject to earlier termination if a

subsequent event of default occurs under our credit agreements other than those described above or if we breach the terms of the Relief Agreement. The Relief Agreements for our other two Credit Facilities provided that the agent and lenders waived through 11:59 p.m. on April 1, 2014 the foregoing potential or actual events of default, subject to earlier termination if a subsequent event of default occurs under our credit agreements or if we breach the terms of the Relief Agreements. Notwithstanding such waivers and forbearances, the fact that we did not make the scheduled amortization payment on March 31, 2014 constituted an event of default under our currently outstanding interest rate swap. In addition, under the indenture and supplemental indenture (the Indenture ) governing our 5.0% Convertible Senior Notes issued on July 27, 2010 (the 2010 Notes ), the Company's failure to make such payment would constitute an event of default under the Indenture if the Company failed to cure such default within 30 days after notice from the trustee under the Indenture.

On April 1, 2014, the Company entered into new agreements with the other parties to the Relief Agreements that extended the expiration of the forbearances and waivers under the Relief Agreements from 11:59 p.m. on April 1, 2014 to 11:59 p.m. on April 21, 2014. Also, the forbearances and waivers would have terminated if a definitive agreement for the Company's restructuring was not effective by 11:59 p.m. on April 4, 2014. The Company avoided this termination through our entry into the Support Agreement. Such new agreements are otherwise on substantially the same terms and conditions as the Relief Agreements.

As of July 9, 2014, the Effective Date, the 2007 Credit Facility was terminated and the liens and mortgages related thereto were released as part of the Plan. Refer to the Bankruptcy Filing section of Note 1 General Information for further information regarding the Chapter 11 Cases.

#### August 2012 Credit Facility Agreements

On August 1, 2012, the Company entered into agreements (the August 2012 Agreements ) to amend or waive certain provisions of the agreements for the 2007 Credit Facility, \$100 Million Term Loan Facility and the \$253 Million Term Loan Facility (as defined below). The agreements implemented, among other things, the following:

- The waiver of the Company's compliance with its existing maximum leverage ratio covenant and minimum permitted consolidated interest ratio covenant that commenced on October 1, 2011 and ends on and includes March 31, 2013 was extended to end on and include December 31, 2013 (which we refer to as the extended waiver period).

- The gross interest-bearing debt to total capital covenant which originally ended on and included March 31, 2013 was extended to end on and include December 31, 2013. This covenant limits the ratio of the Company's interest-bearing indebtedness to the sum of its interest-bearing indebtedness and its consolidated net worth in accordance with GAAP to 62.5% on the last day of any fiscal quarter during the waiver period.
- Scheduled amortization payments through and including the quarter ending December 31, 2013 were deferred until the final payment at maturity under the 2007 Credit Facility and prepaid under the other two credit facilities. The next scheduled amortization payments under these facilities will be due in the first quarter of 2014 in the aggregate principal amount of \$55,193.
- Commencing September 30, 2012, the Company was to repay the 2007 Credit Facility on a quarterly basis using excess cash, defined as the balance over \$100,000 in the Company's and certain of its subsidiaries' accounts pledged under the 2007 Credit Facility. Of such repayments, 25% would be allocated to the final payment at maturity, and 75% will be applied entirely against each successive scheduled mandatory principal repayment beginning with the payment due March 31, 2014. Certain other mandatory repayments under the existing terms of this facility as well as voluntary prepayments will be applied in the same manner. These obligations continued until the later of December 31, 2013 and the date on which the appraised value of certain mortgaged vessels is equal to at least 100% of the aggregate principal amount of the Company's loans, letters of credit and certain hedge obligations under the 2007 Credit Facility.
- The Company and its subsidiaries (other than Baltic Trading and its subsidiaries) would not increase the amount of principal indebtedness currently outstanding under each of its three credit agreements or change their maturity dates.
- Indebtedness that the Company and its subsidiaries (other than Baltic Trading and its subsidiaries) may incur in connection with vessel acquisitions will be limited to 60% of the lesser of the vessel's acquisition cost and fair market value. Any newly acquired vessel will be subject to a security interest under the 2007 Credit Facility.
- The Applicable Margin over LIBOR payable on the principal amount outstanding under the 2007 Credit Facility increased from 2.0% to 3.0% per annum.
- The minimum cash balance required under the 2007 Credit Facility increased from \$500 to \$750 per vessel mortgaged under the 2007 Credit Facility.

- The Company agreed to grant additional security for its obligations under the 2007 Credit Facility, consisting of a pledge of the Class B Stock of Baltic Trading held by Genco Investments LLC and a second priority security interest in vessels pledged under its other two credit facilities or in connection with any new indebtedness (excluding in each case vessels owned by Baltic Trading and its subsidiaries).
- Consenting lenders under each of the three credit facilities received an upfront fee of 0.25% on the amount of outstanding loans.

As required under the August 2012 Agreements, the Company prepaid \$57,893 under its 2007 Credit Facility, \$30,450 under its \$253 Million Term Loan Facility, and \$11,538 under its \$100 Million Term Loan Facility on August 1, 2012. The prepayment under the 2007 Credit Facility was applied to the final payment due under the facility. The prepayments under the other two facilities were applied in order of maturity and fulfilled all scheduled amortization payments through December 31, 2013 under these facilities. In addition, lenders under the 2007 Credit Facility will receive a fee equal to 1.25% of the principal amount outstanding following such prepayment, or \$13,199, on the earlier date of the maturity date of this facility or the date on which all obligations under this facility have been paid in full. The \$13,199 has been recorded as current interest payable in current liabilities in the consolidated balance sheet at December 31, 2013 which is consistent with the classification of the principal amount of the 2007 Credit Facility, see 2007 Credit Facility section below for further information.

December 2011 Credit Facility Agreements

On December 21, 2011, the Company entered into agreements (the December 2011 Agreements ) to amend or waive provisions of the 2007 Credit Facility, the \$100 Million Term Loan Facility and the \$253 Million Term Loan Facility. The aforementioned credit facilities are explained in further detail below. The agreements implemented, among other things, the following:

- The Company's compliance with its existing maximum leverage ratio covenant was waived for a period starting on October 1, 2011 and ending on (and including) March 31, 2013, or the waiver period. This covenant governs the ratio of the Company's net debt to EBITDA (as such term is defined in the credit agreements).
- The Company's compliance with its existing minimum permitted consolidated interest ratio covenant is also waived for the waiver period. This covenant governs the ratio of the Company's EBITDA to consolidated interest expense.
- A new gross interest-bearing debt to total capital covenant applies to the Company for the duration of the waiver period. This covenant limits the ratio of the Company's interest-bearing indebtedness to the sum of its interest-bearing indebtedness and its consolidated net worth in accordance with GAAP to 62.5% on the last day of any fiscal quarter during the waiver period.
- Consenting lenders under the facilities received an upfront fee of 0.25% of the amount of outstanding loans.

As contemplated under these agreements, the Company prepaid \$52,500 under its 2007 Credit Facility, \$7,000 under its \$253 Million Term Loan Facility, and \$3,000 under its \$100 Million Term Loan Facility. All such prepayments were applied in inverse order of maturity under each credit facility. In addition, the 2007 Credit Facility is subject to a facility fee of 2.0% per annum on the average daily outstanding principal amount of the loans thereunder, payable quarterly in arrears, which was reduced to 1.0% on February 28, 2012 when the Company completed an equity offering of 7,500,000 shares of common stock, refer to Note 1 General Information. The other two credit facilities were not subject to a facility fee.

2007 Credit Facility

On July 20, 2007, the Company entered into the 2007 Credit Facility with DnB Nor Bank ASA for the purpose of acquiring nine Capesize vessels and refinancing the Company's existing 2005 Credit Facility and Short-Term Line. DnB Nor Bank ASA is also Mandated Lead Arranger, Bookrunner, and Administrative Agent. The Company has used borrowings under the 2007 Credit Facility to repay amounts outstanding under the 2005 Credit Facility and the Short-Term Line, and these two facilities have accordingly been terminated. During the years ended December 31, 2012 and 2011, total repayments of \$118,588 and \$102,500 were made, respectively. The \$118,588 of repayments made during 2012 includes the \$57,893 of repayments made during 2012 pursuant to the August 2012 Agreements, as noted in the August 2012 Credit Facility Agreements section hereof. The \$102,500 of repayments made during 2011 includes the \$52,500 prepayment of debt made during 2011

## Edgar Filing: GENCO SHIPPING & TRADING LTD - Form 10-K/A

pursuant to the December 2011 Agreements, as noted in the December 2011 Credit Facility Amendments section herein. As of December 31, 2013, \$1,055,912 was outstanding under the 2007 Credit Facility. As of December 31, 2013, the Company had utilized its maximum borrowing capacity under the 2007 Credit Facility. As noted in the Bankruptcy Proceedings section above, the 2007 Credit Facility was terminated on the Effective Date.

On January 26, 2009, the Company entered into an amendment to the 2007 Credit Facility (the 2009 Amendment ) which implemented the following modifications to the terms of the 2007 Credit Facility:

- Compliance with the existing collateral maintenance financial covenant was waived effective for the year ended December 31, 2008 and until the Company can represent that it is in compliance with all of its financial covenants and is otherwise able to pay a dividend and purchase or redeem shares of common stock under the terms of the Credit Facility in effect before the 2009 Amendment. The Company's cash dividends and share repurchases were suspended until the Company can represent that it is in a position to again satisfy the collateral maintenance covenant.
- The total amount of the 2007 Credit Facility is subject to quarterly reductions of \$12,500 beginning March 31, 2009 through March 31, 2012 and quarterly reductions of \$48,195 beginning June 30, 2012 and thereafter until the maturity date. After the prepayment of \$52,500 and \$57,893 made during December 2011 and August 2012 pursuant to the December 2011 Agreements and August 2012 Agreements, respectively, a final payment of \$381,182 will be due on the maturity date.

- The Applicable Margin to be added to the London Interbank Offered Rate to calculate the rate at which the Company's borrowings bear interest is 2.00% per annum. This was increased to 3.00% per annum pursuant to the August 2012 Agreements as noted above.
- The commitment commission paid to each lender is 0.70% per annum of the daily average unutilized commitment of such lender.

Amounts repaid under the 2007 Credit Facility may not be reborrowed. The 2007 Credit Facility had a maturity date of July 20, 2017.