GENCO SHIPPING & TRADING LTD
Form 10-Q
August 15, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 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 000-51442

GENCO SHIPPING & TRADING LIMITED

(Exact name of registrant as specified in its charter)

Republic of the Marshall Islands (State or other jurisdiction of incorporation or organization)	**98-043-9758** (I.R.S. Employer Identification No.)

299 Park Avenue, 12th Floor, New York, New York 10171

(Address of principal executive offices) (Zip Code)

(646) 443-8550

(Registrant s telephone number, including area code)

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

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 x No o

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

The number of shares outstanding of each of the issuer s classes of common stock, as of August 15, 2014: Common stock, $0.01 per share 61,410,362 shares.

Table of Contents

Genco Shipping & Trading Limited

Table of Contents

Website Information

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

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Genco Shipping & Trading Limited

(Debtor-in-Possession)

Condensed Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013

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

(Unaudited)

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 57,720	$ 122,722
Restricted cash	9,975	9,850
Due from charterers, net of a reserve of $639 and $632, respectively	12,000	14,241
Prepaid expenses and other current assets	23,312	19,065
Total current assets	103,007	165,878
Noncurrent assets:		
Vessels, net of accumulated depreciation of $799,020 and $730,662, respectively	2,607,784	2,673,795
Deposits on vessels	28,634	1,013
Deferred drydock, net of accumulated amortization of $10,665 and $11,107, respectively	16,775	11,069
Deferred financing costs, net of accumulated amortization of $26,570 and $22,279, respectively	18,002	22,011
Fixed assets, net of accumulated depreciation and amortization of $3,873 and $3,438, respectively	4,052	5,104
Other noncurrent assets	514	514
Restricted cash	300	300
Investments	49,618	77,570
Total noncurrent assets	2,725,679	2,791,376
Total assets	$ 2,828,686	$ 2,957,254
Liabilities and Equity		
Current liabilities not subject to compromise:		
Accounts payable and accrued expenses	$ 39,527	$ 27,359
Current portion of long-term debt	4,250	1,316,439
Current interest payable		13,199
Convertible senior note payable		115,881
Deferred revenue	1,151	1,597
Time charters acquired	17	
Current portion of lease obligations		176

Fair value of derivative instruments				6,975
Total current liabilities not subject to compromise:		44,945		1,481,626
Noncurrent liabilities not subject to compromise:				
Long-term lease obligations		2,658		3,114
Time charters acquired				84
Long-term debt		161,500		163,625
Total noncurrent liabilities not subject to compromise		164,158		166,823
Total liabilities subject to compromise		1,443,575		
Total liabilities		1,652,678		1,648,449
Commitments and contingencies				
Equity:				
Genco Shipping & Trading Limited shareholders equity:				
Common stock, par value $0.01; 100,000,000 shares authorized; issued and outstanding 44,449,407 shares at June 30, 2014 and December 31, 2013		445		445
Additional paid-in capital		847,547		846,658
Accumulated other comprehensive income		28,076		53,722
Retained (deficit) earnings		(32,986)		66,644
Total Genco Shipping & Trading Limited shareholders equity		843,082		967,469
Noncontrolling interest		332,926		341,336
Total equity		1,176,008		1,308,805
Total liabilities and equity	$	2,828,686	$	2,957,254

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Genco Shipping & Trading Limited

(Debtor-in-Possession)

Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2014 and 2013

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

(Unaudited)

	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Revenues:				
Voyage revenues	$ 51,545	$ 44,941	$ 114,725	$ 84,617
Service revenues	819	819	1,629	1,629
Total revenues	52,364	45,760	116,354	86,246
Operating expenses:				
Voyage expenses	1,983	2,867	3,940	4,139
Vessel operating expenses	30,545	26,766	61,768	53,885
General, administrative, and management fees	9,850	8,480	25,226	16,672
Depreciation and amortization	36,538	34,722	72,739	69,100
Total operating expenses	78,916	72,835	163,673	143,796
Operating loss	(26,552)	(27,075)	(47,319)	(57,550)
Other (expense) income:				
Other expense	(50)	(33)	(107)	(13)
Interest income	25	16	45	34
Interest expense	(18,510)	(21,554)	(39,532)	(42,843)
Other expense	(18,535)	(21,571)	(39,594)	(42,822)
Loss before reorganization items, net	(45,087)	(48,646)	(86,913)	(100,372)
Reorganization items, net	(20,106)		(20,106)	
Loss before income taxes	(65,193)	(48,646)	(107,019)	(100,372)
Income tax expense	(364)	(294)	(777)	(518)
Net loss	(65,557)	(48,940)	(107,796)	(100,890)
Less: Net loss attributable to noncontrolling interest	(5,033)	(3,571)	(8,166)	(7,358)
Net loss attributable to Genco Shipping & Trading Limited	$ (60,524)	$ (45,369)	$ (99,630)	$ (93,532)
Net loss per share-basic	$ (1.39)	$ (1.05)	$ (2.29)	$ (2.17)
Net loss per share-diluted	$ (1.39)	$ (1.05)	$ (2.29)	$ (2.17)
Weighted average common shares outstanding-basic	43,568,942	43,196,895	43,568,942	43,179,300
	43,568,942	43,196,895	43,568,942	43,179,300

Weighted average common shares outstanding-diluted				
Dividends declared per share	$	$	$	$

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Genco Shipping & Trading Limited

(Debtor-in-Possession)

Condensed Consolidated Statements of Comprehensive Loss

For the Three and Six Months Ended June 30, 2014 and 2013

(U.S. Dollars in Thousands)

(Unaudited)

	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Net loss	$ (65,557)	$ (48,940)	$ (107,796)	$ (100,890)
Change in unrealized gain on investments	(13,737)	(3,276)	(27,952)	6,327
Unrealized gain on cash flow hedges, net	1,078	2,386	2,306	4,687
Other comprehensive (loss) income	(12,659)	(890)	(25,646)	11,014
Comprehensive loss	(78,216)	(49,830)	(133,442)	(89,876)
Less: Comprehensive loss attributable to noncontrolling interest	(5,033)	(3,571)	(8,166)	(7,358)
Comprehensive loss attributable to Genco Shipping & Trading Limited	$ (73,183)	$ (46,259)	$ (125,276)	$ (82,518)

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Genco Shipping & Trading Limited

(Debtor-in-Possession)

Condensed Consolidated Statements of Equity

For the Six Months Ended June 30, 2014 and 2013

(U.S. Dollars in Thousands)

(Unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Genco Shipping & Trading Limited Shareholders Equity	Noncontrolling Interest	Total Equity
Balance January 1, 2014	$ 445	$ 846,658	$ 53,722	$ 66,644	$ 967,469	$ 341,336	$ 1,308,805
Net loss				(99,630)	(99,630)	(8,166)	(107,796)
Change in unrealized gain on investments			(27,952)		(27,952)		(27,952)
Unrealized gain on cash flow hedges, net			2,306		2,306		2,306
Nonvested stock amortization		820			820	1,871	2,691
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)	
Balance June 30, 2014	$ 445	$ 847,547	$ 28,076	$ (32,986)	$ 843,082	$ 332,926	$ 1,176,008

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Genco Shipping & Trading Limited Shareholders Equity	Noncontrolling Interest	Total Equity
Balance January 1, 2013	$ 443	$ 863,303	$ (11,841)	$ 214,391	$ 1,066,296	$ 194,911	$ 1,261,207
Net loss				(93,532)	(93,532)	(7,358)	(100,890)
Change in unrealized gain on investments			6,327		6,327		6,327

Unrealized gain on cash flow hedges, net			4,687		4,687		4,687
Issuance of 200,634 shares of nonvested stock, less forfeitures of 9,750 shares	2	(2)					
Nonvested stock amortization		1,565			1,565	815	2,380
Issuance of common stock of Baltic Trading Limited		(8,992)			(8,992)	30,551	21,559
Cash dividends paid by Baltic Trading Limited				(4)	(4)	(343)	(347)
Vesting of restricted shares issued by Baltic Trading Limited		(26)			(26)	26	
Balance June 30, 2013	$ 445	$ 855,848	$ (827)	$ 120,855	$ 976,321	$ 218,602	$ 1,194,923

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Genco Shipping & Trading Limited

(Debtor-in-Possession)

Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013

(U.S. Dollars in Thousands)

(Unaudited)

	For the Six Months Ended June 30, 2014	2013
Cash flows from operating activities:		
Net loss	$ (107,796)	$ (100,890)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	72,739	69,100
Amortization of deferred financing costs	4,291	3,691
Amortization of time charters acquired	(67)	(233)
Amortization of discount on Convertible Senior Notes	1,592	2,388
Interest expense related to the de-designation of the interest rate swap	953	
Unrealized loss on derivative instruments		5
Amortization of nonvested stock compensation expense	2,691	2,380
Change in assets and liabilities:		
Decrease in due from charterers	2,241	768
Increase in prepaid expenses and other current assets	(4,227)	(2,901)
Increase in accounts payable and accrued expenses	14,064	1,686
(Decrease) increase in deferred revenue	(446)	13
Increase in lease obligations	197	125
Deferred drydock costs incurred	(9,288)	(1,402)
Net cash used in operating activities	(23,056)	(25,270)
Cash flows from investing activities:		
Purchase of vessels, including deposits	(29,790)	(54)
Purchase of other fixed assets	(391)	(195)
Changes in deposits of restricted cash	(125)	
Net cash used in investing activities	(30,306)	(249)
Cash flows from financing activities:		
Repayments on the $100 Million Term Loan Facility	(1,923)	
Repayments on the $253 Million Term Loan Facility	(5,075)	
Proceeds on the 2010 Baltic Trading Credit Facility		1,000
Repayments on the Baltic Trading $22 Million Term Loan Facility	(750)	
Repayments on the Baltic Trading $44 Million Term Loan Facility	(1,375)	
Payment of dividend by subsidiary	(2,046)	(347)
Proceeds from issuance of common stock by subsidiary		21,838
Payment of common stock issuance costs by subsidiary	(111)	(17)
Payment of deferred financing costs	(360)	
Net cash (used in) provided by financing activities	(11,640)	22,474
Net decrease in cash and cash equivalents	(65,002)	(3,045)

Cash and cash equivalents at beginning of period		122,722		72,600
Cash and cash equivalents at end of period	$	57,720	$	69,555

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Genco Shipping & Trading Limited

(Debtor-in-Possession)

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

Notes to Condensed Consolidated Financial Statements (unaudited)

1 - GENERAL INFORMATION

The accompanying condensed 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 June 30, 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 June 30, 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 seek to implement a Prepackaged Plan of Reorganization of the Debtors Pursuant to Chapter 11 of the Bankruptcy Code 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 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 Aquitane 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 Deutschlandgeschaft, 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);

- the outstanding interest rate swap with DnB NOR Bank, relating to a liability position of $5,622 as of June 30, 2014.

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 can be 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 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.

Key components of the Plan 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 9 Debt 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 were fully satisfied and discharged. Refer to Note 10 Convertible Senior Notes for further information.

- A fully backstopped Rights Offering for approximately 8.7% of the New Genco Common Stock, in which holders of 2007 Credit Facility Claims were entitled to subscribe for up to 80% of the New Genco Common Stock offered, and holders of the 2010 Notes Claims were entitled to subscribe for up to 20% of the New Genco Common Stock being offered under the Rights Offering. Each Right entitled its holder to purchase one share of New Genco Common Stock at a subscription price of $18.62537, 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 9 - Debt.

- The cancellation of the old common stock of Genco as of the Effective Date, with the holders thereof receiving warrants to acquire shares of New Genco Common Stock. Each New Genco Equity Warrant is exercisable for one share of New Genco Common Stock, and holders received an aggregate of 3,938,298 New Genco Equity Warrants for the old common stock of Genco. The New Genco Equity Warrants in the aggregate are exercisable for approximately 6% of New Genco 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.

- A Management Incentive Program, which provides for the distribution of New Genco MIP Primary Equity in the form of shares representing 1.8% of the New Genco Common Stock and three tiers of New Genco MIP Warrants with staggered strike prices based on increasing equity values to the participating officers, directors, and other management of Reorganized Genco. These awards were made on August 7, 2014.

Registration Rights Agreement

On the Effective Date, Reorganized Genco 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 New Genco Common Stock under the Plan with demand and piggyback registration rights. All other Registration Rights Parties have piggyback registration rights only.

New Genco Equity Warrant Agreement

On the Effective Date, pursuant to the Plan, the New Genco Equity Warrants were issued pursuant to the terms of the New Genco Equity Warrant Agreement. Each New Genco Equity Warrant has a 7-year term (commencing on the day following the Effective Date) and are exercisable for one share of New Genco Common Stock. The New Genco Equity Warrants are exercisable on a cashless basis at an exercise price of $20.99 per share. The New Genco 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.

Table of Contents

The New Genco Equity Warrants were distributed to holders of the old common stock of the Company, which was cancelled as of the Effective Date. Shares of old common stock of the 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 New Genco Equity Warrants received in exchange therefor were deemed vested.

Accounting Guidance

The Company was required to apply Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 852, *Reorganizations*, effective on April 21, 2014, which is applicable to companies in Chapter 11, which generally does not change the manner in which financial statements are prepared. However, it does require that the financial statements for periods subsequent to the filing of the Chapter 11 Cases distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Revenues, expenses, realized gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the business must be reported separately as Reorganization items in the consolidated statements of operations beginning in the quarter ending June 30, 2014. The balance sheet must distinguish pre-petition Liabilities subject to compromise from both those pre-petition liabilities that are not subject to compromise and from post-petition liabilities. The Company has evaluated creditors claims for other claims that may also have priority over unsecured creditors. Liabilities that may be affected by a plan of reorganization must be reported at the amounts expected to be approved by the Bankruptcy Court, even if they may be settled for lesser amounts as a result of the plan or reorganization. In addition, cash used by reorganization items in the consolidated statements of cash flows are disclosed in Note 4 Cash Flow Information.

In connection with the emergence from the Chapter 11 Cases, the Company believes it qualifies for fresh-start accounting. Upon adoption of fresh-start accounting, the Company s assets and liabilities will be recorded at their value as of the fresh-start reporting date. The fair values of the Company s assets and liabilities as of that date may differ materially from the recorded values of its assets and liabilities as reflected in its historical consolidated financial statements. In addition, the Company s adoptions of fresh-start accounting 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 adopts fresh-start accounting. See Note 25 Subsequent Events for a further discussion of fresh-start accounting.

Other General Information

Below is the list of GS&T s wholly owned ship-owning subsidiaries as of June 30, 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
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

Table of Contents

Wholly Owned Subsidiaries	Vessel Acquired	Dwt	Delivery Date	Year Built
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	5/12/11	2011
Genco Mare Limited	Genco Mare	34,428	7/20/11	2011
Genco Spirit Limited	Genco Spirit	34,432	11/10/11	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
Genco Pyrenees Limited	Genco Pyrenees	57,981	8/10/10	2010
Genco Rhone Limited	Genco Rhone	58,018	3/29/11	2011

Baltic Trading Limited (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 June 30, 2014 and December 31, 2013, Genco Investments LLC owned 6,356,471 shares of Baltic Trading s Class B Stock, which represented an 11.04% and 11.05% ownership interest in Baltic Trading, respectively, and 65.06% 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.

Below is the list of Baltic Trading s wholly owned ship-owning subsidiaries as of June 30, 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	64,000	Q3 2014 (1)	2014 (1)
Baltic Wasp Limited	Baltic Wasp	64,000	Q4 2014 (1)	2014 (1)
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 dates for vessels being delivered in the future are estimates based on the guidance received from the sellers and the respective shipyards.

The Company provides technical services for drybulk vessels purchased by Maritime Equity Partners LLC (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 were 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.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying condensed 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 presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and the rules and regulations of the Securities and Exchange Commission (the SEC). In the opinion of management of the Company, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and operating results have been included in the statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company s annual report on Form 10-K for the year ended December 31, 2013 (the 2013 10-K). The results of operations for the three and six month periods ended June 30, 2014 and 2013 are not necessarily indicative of the operating results for the full year.

Vessels, net

Vessels, net is stated at cost less accumulated depreciation. Included in vessel costs are acquisition costs directly attributable to the acquisition of a vessel and expenditures made to prepare the vessel for its initial voyage. The Company also capitalizes interest costs for a vessel under construction as a cost which is directly attributable to the acquisition of a vessel. Vessels are depreciated on a straight-line basis over their estimated useful lives, determined to be 25 years from the date of initial delivery from the shipyard. Depreciation expense for vessels for the three months ended June 30, 2014 and 2013 was $34,557 and $33,102, respectively. Depreciation expense for vessels for the six months ended

June 30, 2014 and 2013 was $68,717 and $65,841, 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 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 estimated scrap value of $245 per lightweight ton (lwt) times the weight of the ship in lwt s.

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. As of June 30, 2014 and December 31, 2013, the Company had an accrual of $459 and $536, respectively, related to these estimated customer claims.

Voyage expense recognition

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 net (gains) losses of ($184) and $21 during the three months ended June 30, 2014 and 2013, respectively, and ($249) and ($343) during the six months ended June 30, 2014 and 2013, respectively. Additionally, voyage expenses include the cost of bunkers consumed during short-term time charters pursuant to the terms of the time charter agreement.

Noncontrolling interest

Net loss attributable to noncontrolling interest during the three and six months ended June 30, 2014 and 2013 reflects the noncontrolling interest s share of the net loss of Baltic Trading, a subsidiary of the Company, which owns and employs drybulk vessels in the spot market, in vessel pools or on spot market-related time charters. The spot market represents immediate chartering of a vessel, usually for single voyages. At June 30, 2014, the noncontrolling interest held an 88.96% economic interest in Baltic Trading while only holding 34.94% of the voting power. At December 31, 2013, the noncontrolling interest held an 88.95% economic interest in Baltic Trading while only holding 34.92% of the voting power.

Income taxes

Pursuant to certain agreements, GS&T technically and commercially manages vessels for Baltic Trading, as well as provides technical management of vessels for MEP in exchange for specified fees for these services provided. These services are performed by Genco Management (USA) Limited (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. 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 the services for both Baltic Trading and MEP s vessels.

Total revenue earned for these services during the three months ended June 30, 2014 and 2013 was $1,841 and $1,515, respectively, of which $1,022 and $696, respectively, eliminated upon consolidation. After allocation of certain expenses, there was taxable income of $764 associated with these activities for the three months ended June 30, 2014. This resulted in estimated tax expense of $339 for the three months ended June 30, 2014. After allocation of certain expenses, there was taxable income of $625 associated with these activities for the three months ended June 30, 2013. This resulted in income tax expense of $281 for the three months ended June 30, 2013.

Total revenue earned for these services during the six months ended June 30, 2014 and 2013 was $3,696 and $3,005, respectively, of which $2,067 and $1,376, respectively, were eliminated upon consolidation. After allocation of certain expenses, there was taxable income of $1,650 associated with these activities for the six months ended June 30, 2014. This resulted in estimated income tax expense of $740 for the six months ended June 30, 2014. After allocation of certain expenses, there was taxable income of $1,217 associated with these activities for the six months ended June 30, 2013. This resulted in income tax expense of $505 for the six months ended June 30, 2013.

Baltic Trading is subject to income tax on its United States source income. During the three months ended June 30, 2014 and 2013, Baltic Trading had United States operations which resulted in United States source income of $1,245 and $639, respectively. Baltic Trading s estimated

United States income tax expense for the three months ended June 30, 2014 and 2013 was $25 and $13, respectively.

During the six months ended June 30, 2014 and 2013, Baltic Trading had United States operations which resulted in United States source income of $1,813 and $639, respectively. Baltic Trading s United States income tax expense for the six months ended June 30, 2014 and 2013 was $37 and $13, respectively.

3 - SEGMENT INFORMATION

The Company determines its operating segments based on the information utilized by the chief operating decision maker to assess performance. 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 seeks to deploy its vessels on time charters, spot market-related time charters or in vessel pools trading in the spot market and Baltic Trading seeks to deploy its vessel charters in the spot market, which represents immediate chartering of a vessel, usually for single voyages, or employing vessels on spot market-related time charters or in vessel pools. Segment results are evaluated based on net (loss) income. The accounting policies applied to the reportable segments are the same as those used in the preparation of the Company s condensed consolidated financial statements.

Table of Contents

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 Company for the three and six months ended June 30, 2014 and 2013.

	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Voyage revenue from external customers				
GS&T	$ 40,842	$ 38,562	$ 90,931	$ 72,252
Baltic Trading	10,703	6,379	23,794	12,365
Total operating segments	51,545	44,941	114,725	84,617
Eliminating revenue				
Total consolidated voyage revenue from external customers	$ 51,545	$ 44,941	$ 114,725	$ 84,617

The following table presents a reconciliation of total intersegment revenue, which eliminates upon consolidation, for the Company s two operating segments for the three and six months ended June 30, 2014 and 2013. 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.

	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Intersegment revenue				
GS&T	$ 1,022	$ 696	$ 2,067	$ 1,376
Baltic Trading				
Total operating segments	1,022	696	2,067	1,376
Eliminating revenue	(1,022)	(696)	(2,067)	(1,376)
Total consolidated intersegment revenue	$	$	$	$

The following table presents a reconciliation of total net loss for the Company s two operating segments to total consolidated net loss for the three and six months ended June 30, 2014 and 2013. 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 due to GS&T from Baltic Trading for its Class B shares of Baltic Trading.

	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Net loss				
GS&T	$ (59,874)	$ (44,297)	$ (98,444)	$ (91,145)
Baltic Trading	(5,674)	(4,625)	(9,207)	(9,708)
Total operating segments	(65,548)	(48,922)	(107,651)	(100,853)
Eliminating net loss	9	18	145	37
Total consolidated net loss	$ (65,557)	$ (48,940)	$ (107,796)	$ (100,890)

The following table presents a reconciliation of total assets for the Company s two operating segments to total consolidated assets as of June 30, 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 June 30, 2014 and December 31, 2013.

	June 30, 2014	December 31, 2013
Total assets		
GS&T	$ 2,286,604	$ 2,404,811
Baltic Trading	546,861	557,367
Total operating segments	2,833,465	2,962,178
Eliminating assets	(4,779)	(4,924)
Total consolidated assets	$ 2,828,686	$ 2,957,254

Table of Contents

4 - CASH FLOW INFORMATION

As of June 30, 2014 and December 31, 2013, the Company had one and four interest rate swaps, respectively, which are described and discussed in Note 11 Interest Rate Swap Agreements. At June 30, 2014, the fair value of the swap is in a liability position of $5,622, all of which was classified within Liabilities subject to compromise. At December 31, 2013, the four swaps were in a liability position of $6,975, all of which was classified within current liabilities.

For the six months ended June 30, 2014, the Company had non-cash investing activities not included in the Condensed Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses consisting of $250 for the purchase of vessels, including deposits and $43 for the purchase of other fixed assets. For the six months ended June 30, 2014, the Company had non-cash investing activities not included in the Condensed Consolidated Statement of Cash Flows for items included in Prepaid expenses and other current assets consisting of $20 associated with the purchase of other fixed assets. Additionally, for the six months ended June 30, 2014, the Company had non-cash financing activities not included in the Condensed Consolidated Statement of Cash Flows for items included in Liabilities subject to compromise consisting of $13,199 associated with deferred financing fees.

Of the $20,106 of Reorganization items, net for the six months ended June 30, 2014 (refer to Note 20), $1,204 was paid through June 30, 2014 and $18,902 is included in accounts payable and accrued expenses.

For the six months ended June 30, 2013, the Company had non-cash investing activities not included in the Condensed Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses consisting of $14 for the purchase of other fixed assets. For the six months ended June 30, 2013, the Company had non-cash financing activities not included in the Condensed Consolidated Statement of Cash Flows for items included in Accounts payable and accrued expenses consisting of $262 for the payment of common stock issuance costs by its subsidiary. For the six months ended June 30, 2013, the Company had non-cash financing activities not included in the Condensed Consolidated Statement of Cash Flows for items included in current Interest payable consisting of $13,199 associated with deferred financing fees.

During the six months ended June 30, 2014, the 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 six months ended June 30, 2014 and 2013, cash paid for interest, net of amounts capitalized, and including bond coupon interest paid, was $38,238 and $37,772, respectively.

During the six months ended June 30, 2014 and 2013, cash paid for estimated income taxes was $1,495 and $493, respectively.

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.

On May 16, 2013, the Company made grants of nonvested common stock under the Genco Shipping & Trading Limited 2012 Equity Incentive Plan in the amount of 200,634 shares in the aggregate to directors of the Company. As of June 30, 2014, these shares did not vest since an annual stockholders meeting had not been held during 2014. The aggregate fair value of such nonvested stock was $315. On May 16, 2013, Baltic Trading made grants of nonvested common stock in the amount of 59,680 shares to directors of Baltic Trading. These shares vested on April 9, 2014. The aggregate fair value of such nonvested stock was $225.

5 - 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 acquisitions with proceeds from its May 28, 2013 common stock offering and borrowings under its $22 Million Term Loan Facility entered into on August 30, 2013.

On October 31, 2013, 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 acquisitions with cash on hand and borrowings under its $44 Million Term Loan Facility entered into on December 3, 2013.

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

Table of Contents

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 Baltic Hornet and Baltic Wasp are expected to be delivered to Baltic Trading during the third and fourth quarters of 2014, respectively. 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 June 30, 2014 and December 31, 2013, deposits on vessels were $28,634 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 to fully finance the acquisition of these four Ultramax newbuilding drybulk vessels.

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 in the amount of $18 and $100 for the three months ended June 30, 2014 and 2013, respectively, and $67 and $233 for the six months ended June 30, 2014 and 2013, respectively.

Capitalized interest expense associated with the newbuilding contracts entered into by Baltic Trading for the three months ended June 30, 2014 and 2013 was $177 and $0, respectively, and $276 and $0 for the six months ended June 30, 2014 and 2013, respectively.

6 - INVESTMENTS

The Company holds an investment in the capital stock of Jinhui Shipping and Transportation Limited (Jinhui) and Korea Line Corporation (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 Available For Sale (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). At June 30, 2014 and December 31, 2013, the Company held 16,335,100 shares of Jinhui capital stock which is recorded at its fair value of $49,540 and $77,488, respectively, based on the last closing price during each respective quarter on June 30, 2014 and December 30, 2013, respectively. At June 30, 2014 and December 31, 2013, the Company held 3,355 shares of KLC stock which is recorded at its fair value of $78 and $82, respectively, based on the last closing price during each respective quarter on June 30, 2014 and December 30, 2013.

The Company reviews the investment in Jinhui and KLC for impairment on a quarterly basis. There were no impairment charges recognized for the three and six months ended June 30, 2014 and 2013.

The unrealized gain (losses) on the Jinhui capital stock and KLC stock are a component of AOCI since these investments are designated as AFS securities.

Refer to Note 12 Accumulated Other Comprehensive Income (Loss) for a breakdown of the components of AOCI.

7 NET LOSS PER COMMON 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 22 Nonvested Stock Awards), 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 880,465 nonvested shares outstanding at June 30, 2014 (refer to Note 22 Nonvested Stock Awards), all are anti-dilutive. The Company s diluted net loss per share will also reflect the assumed conversion under the Company s convertible debt if the impact is dilutive under the if converted method. The impact of the shares convertible under the Company s convertible notes is excluded from the computation of diluted earnings 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:

Table of Contents

	For the Three Months Ended June 30, 2014	2013	For the Six Months Ended June 30, 2014	2013
Common shares outstanding, basic:				
Weighted-average common shares outstanding, basic	43,568,942	43,196,895	43,568,942	43,179,300
Common shares outstanding, diluted:				
Weighted-average common shares outstanding, basic	43,568,942	43,196,895	43,568,942	43,179,300
Dilutive effect of convertible notes				
Dilutive effect of restricted stock awards				
Weighted-average common shares outstanding, diluted	43,568,942	43,196,895	43,568,942	43,179,300

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:

	For the Three Months Ended June 30, 2014	2013	For the Six Months Ended June 30, 2014	2013
Net loss attributable to GS&T	$ (60,524)	$ (45,369)	$ (99,630)	$ (93,532)
Interest expense related to convertible notes, if dilutive				
Net loss attributable to GS&T for the computation of diluted net loss per share	$ (60,524)	$ (45,369)	$ (99,630)	$ (93,532)

8 - RELATED PARTY TRANSACTIONS

The following represent related party transactions reflected in these condensed 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 six months ended June 30, 2014 and 2013, the Company invoiced $72 and $75, respectively, to GMC, which includes time associated with such internal audit services and other expenditures. Additionally, during the six months ended June 30, 2014 and 2013, the Company incurred travel and other office related expenditures totaling $49 and $54, respectively, reimbursable to GMC or its service provider. At June 30, 2014, the amount due to the Company from GMC was $16. At December 31, 2013, the amount due to GMC from the Company was $16.

During the six months ended June 30, 2014 and 2013, the Company incurred legal services (primarily in connection with vessel acquisitions) aggregating $3 and $7, respectively, from Constantine Georgiopoulos, the father of Peter C. Georgiopoulos, Chairman of the Board. At June 30, 2014 and December 31, 2013, the amount due to Constantine Georgiopoulos was $0 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 six months ended June 30, 2014 and 2013, Aegean supplied lubricating oils to the Company s vessels aggregating $1,087 and $746, respectively. At June 30, 2014 and December 31, 2013, $237 and $263 remained outstanding, respectively.

During the six months ended June 30, 2014 and 2013, the Company invoiced MEP for technical services provided and expenses paid on MEP s behalf aggregating $1,671 and $1,708, respectively. Peter C. Georgiopoulos, Chairman of the Board, controls and has a minority interest in MEP. At June 30, 2014 and December 31, 2013, $10 and $7, respectively, was due to the Company from MEP. Total service revenue earned by the Company for technical service provided to MEP for the six months ended June 30, 2014 and 2013 was $1,629 and $1,629, respectively.

9 - DEBT

Long-term debt consists of the following:

Table of Contents

	Balance prior to Financial Statement Classification	June 30, 2014 Amounts Classified as Subject to Compromise	Total Debt	December 31, 2013 Total Debt
2007 Credit Facility	$ 1,055,912	$ (1,055,912)	$	$ 1,055,912
$100 Million Term Loan Facility	73,561	(73,561)		75,484
$253 Million Term Loan Facility	175,718	(175,718)		180,793
2010 Baltic Trading Credit Facility	102,250		102,250	102,250
Baltic Trading $22 Million Term Loan Facility	20,875		20,875	21,625
Baltic Trading $44 Million Term Loan Facility	42,625		42,625	44,000
Less: Current portion	(4,250)		(4,250)	(1,316,439)
Long-term debt	$ 1,466,691	$ (1,305,191)	$ 161,500	$ 163,625

2007 Credit Facility

On July 20, 2007, the Company entered into the 2007 Credit Facility with DnB NOR Bank ASA. The maximum amount that may be borrowed under the 2007 Credit Facility at June 30, 2014 is $1,055,912. As of June 30, 2014, the Company had utilized its maximum borrowing capacity under the 2007 Credit Facility.

In 2009, the Company obtained a waiver of the collateral maintenance covenant under this facility 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 facility in effect before the waiver. The Company s cash dividends and share repurchases were suspended until the collateral maintenance financial covenant could be satisfied.

The maximum leverage ratio covenant and minimum permitted consolidated interest ratio covenants were waived for the periods ending on and including December 31, 2013 pursuant to the August 1, 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 August 2012 Agreements).

The gross interest-bearing debt to total capital covenant ended during the period ending on and including December 31, 2013 pursuant to the August 2012 Agreements. This covenant limited 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 U.S. GAAP to 62.5% on the last day of any fiscal quarter during the waiver period.

Additionally, pursuant to the August 2012 Agreements, the total applicable margin over LIBOR payable on the principal amount of debt outstanding increased from 2.0% to 3.0% per annum. The minimum cash balance required was also increased from $500 to $750 per vessel mortgaged under this facility pursuant to the August 2012 Agreements.

Pursuant to the amendment to the 2007 Credit Facility which was entered into on December 21, 2011, the Company was subject to a facility fee of 2.0% per annum on the average daily outstanding principal amount of the loans outstanding, payable quarterly in arrears, which was subject to a reduction to 1.0% if the Company consummated an equity offering resulting in an aggregate amount of $50,000 of gross proceeds. On February 28, 2012, the Company completed an equity offering of 7,500,000 shares which resulted in gross proceeds of $53,250. As such, effective February 28, 2012, the facility fee was reduced to 1.0%.

As of June 30, 2014, the Company was not in compliance with certain of the financial covenants under its 2007 Credit Facility, as amended. As a result of the commencement of the Chapter 11 Cases, the debt outstanding under this facility of $1,055,912 has been classified as Liabilities subject to compromise in the Condensed Consolidated Balance Sheets as of June 30, 2014.

At June 30, 2014, there were no letters of credit issued under the 2007 Credit Facility.

To allow discussions with our creditors concerning our restructuring to continue into April 2014 without the need to file for immediate bankruptcy relief, on March 31, 2014, we 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;

Table of Contents

- 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), our failure to make such payment would constitute an event of default under the Indenture if we fail to cure such default within 30 days after notice from the trustee under the Indenture.

On April 1, 2014, we 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 our restructuring was not effective by 11:59 p.m. on April 4, 2014. We 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.

$100 Million Term Loan Facility

On August 12, 2010, the Company entered into the $100 Million Term Loan Facility. As of June 30, 2014, the Company had utilized its maximum borrowing capacity of $100,000. The Company has used the $100 Million Term Loan Facility to fund or refund the Company a portion of the purchase price of the acquisition of five vessels from companies within the Metrostar group of companies. As of June 30, 2014, there was no availability under the $100 Million Term Loan Facility.

Pursuant to the amendments to the $100 Million Term Loan Facility that were entered into on December 21, 2011 and the August 2012 Agreements, the maximum leverage ratio covenant and the minimum permitted consolidated interest ratio covenant were waived for the periods ending on and including December 31, 2013.

As of June 30, 2014, the Company was not in compliance with certain of the financial covenants under the $100 Million Term Loan Facility, as amended. As such, the debt outstanding under this facility of $73,561 has been classified as Liabilities subject to compromise in the Condensed Consolidated Balance Sheets as of June 30, 2014.

See above in this note under the heading 2007 Credit Facilities for a description of the agreement the Company entered into to obtain waivers with respect to certain events of default relating to the $100 Million Term Loan Facility. See the Bankruptcy Filing section under Note 1 General Information for the Company s restructuring plans, including the filing of its Chapter 11 Cases and the Company s subsequent emergence from Chapter 11.

On the Effective Date, Genco entered into the Amended and Restated $100 Million Term Loan Facility and the Amended and Restated $253 Million Term Loan Facility. The Amended and Restated Credit Facilities included, among other things:

Table of Contents

- A paydown as of the Effective Date with respect to payments which became due under the prepetition credit facilities between the Petition Date and the Effective Date and were not paid during the pendency of the Chapter 11 Cases ($1,923 for the $100 Million Term Loan Facility and $5,075 for the $253 Million Term Loan Facility).

- Extension of the maturity dates to August 31, 2019 from August 17, 2017 for the $100 Million Term Loan Facility and August 15, 2015 for the $253 Million Term Loan Facility.

- Relief from compliance with financial covenants governing the Company s maximum leverage ratio, minimum consolidated interest coverage ratio and consolidated net worth through and including the quarter ending March 31, 2015 (with quarterly testing commencing June 30, 2015).

- A fleetwide minimum liquidity covenant requiring maintenance of cash of $750 per vessel for all vessels owned by Genco (excluding those owned by Baltic Trading).

- An increase in the interest rate to LIBOR plus 3.50% per year from 3.00% previously for the $100 Million Term Loan Facility and the $253 Million Term Loan Facility.

The obligations under the Amended and Restated $100 Million Term Loan Facility are secured by a first priority security interest in the vessels and other collateral securing the $100 Million Term Loan Facility. The Amended and Restated $100 Million Term Loan Facility requires quarterly repayment installments in accordance with the original terms of the $100 Million Term Loan Facility.

$253 Million Term Loan Facility

On August 20, 2010, the Company entered into the $253 Million Term Loan Facility. As of June 30, 2014, the Company had utilized its maximum borrowing capacity of $253,000 to fund or refund to the Company a portion of the purchase price of the 13 vessels purchased from Bourbon SA during the third quarter of 2010 and first quarter of 2011. As of June 30, 2014, there was no availability under the $253 Million Term Loan Facility.

Pursuant to the amendment to the $253 Million Term Loan Facility that was entered into on December 21, 2011 and the August 2012 Agreements, the maximum leverage ratio covenant and the minimum permitted consolidated interest ratio covenant were waived for the periods ending on and including December 31, 2013.

As of June 30, 2014 and December 31, 2013, the Company has deposited $9,875 and $9,750, respectively, that has been reflected as restricted cash. Restricted cash will be released only if the underlying collateral is sold or disposed of.

As of June 30, 2014, the Company was not in compliance with certain of the financial covenants under the $253 Million Term Loan Facility, as amended. As a result of the commencement of the Chapter 11 Cases, the debt outstanding under this facility of $175,718 has been classified as Liabilities subject to compromise in the Condensed Consolidated Balance Sheets as of June 30, 2014.

See above in this note under the heading 2007 Credit Facility for a description of the agreement the Company entered into to obtain waivers with respect to certain events of default relating to the $253 Million Term Loan Facility. See the Bankruptcy Filing section under Note 1 General Information for the Company s restructuring plans, including the filing of its Chapter 11 Cases and the Company s subsequent emergence from Chapter 11.

Refer to the $100 Million Term Loan Facility section above for a description of the Amended and Restated $253 Million Term Loan Facility that was entered into by the Company on the Effective Date. The obligations under the Amended and Restated $253 Million Term Loan Facility are secured by a first priority security interest in the vessels and other collateral securing the $253 Million Term Loan Facility. The Amended and Restated $253 Million Term Loan Facility requires quarterly repayment installments in accordance with the original terms of the $253 Million Term Loan Facility.

2010 Baltic Trading Credit Facility

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

- The requirement that certain additional vessels acquired by Baltic Trading be mortgaged as collateral under the 2010 Baltic Trading Credit Facility was eliminated.

- Restrictions on the incurrence of indebtedness by Baltic Trading and its subsidiaries were amended to apply only to those subsidiaries acting as guarantors under the 2010 Baltic Trading Credit Facility.

- The total commitment under this facility was reduced to $110,000 and will be further reduced in three consecutive semi-annual reductions of $5,000 commencing on May 30, 2015.

- Borrowings bear interest at an applicable margin over LIBOR of 3.00% per annum if the ratio of the maximum facility amount of the aggregate appraised value of vessels mortgaged under the facility is 55% or less, measured quarterly; otherwise, the applicable margin is 3.35% per annum.

- Financial covenants corresponding to the liquidity and leverage under the Baltic Trading $22 Million Term Loan Facility (as defined below) have been incorporated into the 2010 Baltic Trading Credit Facility.

As of June 30, 2014, $7,750 remained available under the 2010 Baltic Trading Credit Facility as the total commitment was reduced to $110,000 on August 29, 2013. The total available working capital borrowings of $25,000 are subject to the total remaining availability under the 2010 Baltic Trading Credit Facility, therefore, only $7,750 is available for working capital purposes as of June 30, 2014.

As of June 30, 2014, the Company believes Baltic Trading is in compliance with all of the financial covenants under the 2010 Baltic Trading Credit Facility.

Baltic Trading $22 Million Term Loan Facility

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

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

On September 4, 2013, Baltic Hare Limited and Baltic Fox Limited made drawdowns of $10,730 and $11,270 for the Baltic Hare and the Baltic Fox, respectively. As of June 30, 2014, Baltic Trading has utilized its maximum borrowing capacity of $22,000 and there was no further availability. At June 30, 2014 and December 31, 2013, the total outstanding debt balance was $20,875 and $21,625, respectively, as required repayments began on December 4, 2013.

As of June 30, 2014 the Company believes Baltic Trading is in compliance with all of the financial covenants under the Baltic Trading $22 Million Term Loan Facility.

Baltic Trading $44 Million Term Loan Facility

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

Table of Contents

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

On December 23, 2013, Baltic Tiger Limited and Baltic Lion Limited made drawdowns of $21,400 and $22,600 for the Baltic Tiger and Baltic Lion, respectively. As of June 30, 2014, Baltic Trading has utilized its maximum borrowing capacity of $44,000 and there was no further availability. At June 30, 2014 and December 31, 2013, the total outstanding debt balance was $42,625 and $44,000, respectively, as required repayments began on March 24, 2014.

As of June 30, 2014, the Company believes Baltic Trading is in compliance with all of the financial covenants under the Baltic Trading $44 Million Term Loan Facility.

Change of Control

If the Company s ownership in Baltic Trading were to decrease to less than 10% of the aggregate number of shares of common stock and Class B Stock of Baltic Trading, the outstanding Baltic Trading Class B Stock held by the Company would automatically convert into common stock, and the voting power held by the Company in Baltic Trading would likewise decrease to less than 30%. This would result in a change of control as defined under the Baltic Trading 2010 Credit Facility, the Baltic Trading $22 Million Term Loan Facility and the Baltic Trading $44 Million Term Loan Facility, and would therefore constitute an event of default. Additionally, a change of control constituting an event of default under Baltic Trading s credit facilities would also occur if any party other than the Company or certain other permitted holders beneficially owns more than 30% of the Company s outstanding voting or economic equity interests, which may occur if a party were deemed to control Genco. Refer to Note 1 General Information for discussion of the Company s current economic status.

Interest payable

As required under the August 2012 Agreements, 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 in the Condensed Consolidated Balance Sheets at June 30, 2014 as Liabilities subject to compromise, consistent with the classification of the principal amount of the 2007 Credit Facility. Refer to Note 1 General Information for further information regarding the Chapter 11 Cases.

Interest rates

The following tables sets forth the effective interest rate associated with the interest expense for the Company s debt facilities noted above, including the rate differential between the pay fixed, receive variable rate on the interest rate swap agreements that were in effect (refer to Note 11 Interest Rate Swap Agreements), combined, the cost associated with unused commitment fees as well as the 1.0% facility fee for the 2007 Credit Facility as noted above. Additionally, it includes the range of interest rates on the debt, excluding the impact of swaps and unused commitment fees:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
Effective Interest Rate	4.31%	4.72%	4.33%	4.73%
Range of Interest Rates (excluding impact of swaps and unused commitment fees)	3.15% to 5.15%	3.19% to 4.31%	3.15% to 5.15%	3.19% to 4.38%

10 CONVERTIBLE SENIOR NOTES

The Company issued $125,000 of the 2010 Notes on July 27, 2010. The Indenture for the 2010 Notes includes customary agreements and covenants by the Company, including with respect to events of default. As noted in Note 1 General Information, the filing of the Chapter 11 Cases by the Company on April 21, 2014 constituted an event of default with respect to the 2010 Notes. On this date, the Company ceased recording interest expense related to the 2010 Notes. During the three and six months ended June 30 2014, interest expense of $2,266, including the amortization of the discount of the liability component and the bond coupon interest expense, was not recorded which would have been incurred had the indebtedness not been reclassified as a Liability subject to compromise. On the Effective Date, when the Company emerged from Chapter 11, the 2010 Notes and the Indenture were fully satisfied and discharged.

The following tables provide additional information about the Company s 2010 Notes:

Table of Contents

	June 30, 2014	December 31, 2013
Carrying amount of the equity component (additional paid-in capital)	$ 24,375	$ 24,375
Principal amount of the 2010 Notes	125,000	125,000
Unamortized discount of the liability component	7,527	9,119
Net carrying amount of the liability component	117,473	115,881

	For the Three Months Ended June 30, 2014	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2014	For the Six Months Ended June 30, 2013
Effective interest rate on liability component	10.0%	10.0%	10.0%	10.0%
Cash interest expense recognized	$ 345	$ 1,571	$ 1,886	$ 3,112
Non-cash interest expense recognized	293	1,209	1,592	2,388
Non-cash deferred financing amortization costs included in interest expense	39	179	216	356

Refer to Note 1 General Information for additional information regarding defaults relating to the 2010 Notes. In accordance with applicable accounting guidance, the liability related to the 2010 Notes was classified as Liabilities subject to compromise in the condensed Consolidated Balance Sheets as of June 30, 2014.

11 - INTEREST RATE SWAP AGREEMENTS

As of December 31, 2013, the Company had four interest swap agreements outstanding with DNB Bank ASA to manage interest costs and the risk associated with variable interest rates related to the Company s 2007 Credit Facility. The total notional principal amount of the swaps at December 31, 2013 was $306,233 and the swaps had specified rates and durations. Three of the swaps that were outstanding at December 31, 2013 expired during the six months ended June 30, 2014, prior to the Petition Date.

As of March 31, 2014, the Company was in default under covenants of its 2007 Credit Facility due to the default on the scheduled debt amortization payment due on March 31, 2014. Refer to Note 1 General Information for additional information regarding defaults relating to the swap. The default under the 2007 Credit Facility requires the Company to elect interest periods of only one-month, therefore the Company 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 by the Company 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 $5,622. As such, in accordance with applicable accounting guidance, the liability related to the interest rate swap outstanding as of June 30, 2014 was classified as Liabilities subject to compromise in the Condensed Consolidated Balance Sheets as of June 30, 2014 and is no longer considered a derivative.

The following table summarizes the interest rate swaps designated as cash flow hedges that were in place as of June 30, 2014 and December 31, 2013:

	June 30, 2014	December 31, 2013

Trade Date	Interest Rate Swap Detail Fixed Rate	Start Date of Swap	End date of Swap	Notional Amount Outstanding	Notional Amount Outstanding
9/6/05	4.485%	9/14/05	7/29/15	$	$ 106,233
3/29/06	5.25%	1/2/07	1/1/14		50,000
1/9/09	2.05%	1/22/09	1/22/14		100,000
2/11/09	2.45%	2/23/09	2/23/14		50,000
				$	$ 306,233

The following table summarizes the derivative asset and liability balances at June 30, 2014 and December 31, 2013:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value June 30, 2014	Fair Value December 31, 2013	Balance Sheet Location	Fair Value June 30, 2014	Fair Value December 31, 2013
Derivatives designated as hedging instruments						
Interest rate contracts	Fair value of derivative instruments (Current Assets)	$	$	Fair value of derivative instruments (Current Liabilities)	$	$ 6,975
Interest rate contracts	Fair value of derivative instruments (Noncurrent Assets)			Fair value of derivative instruments (Noncurrent Liabilities)		
Total derivatives designated as hedging instruments						6,975
Total Derivatives		$	$		$	$ 6,975

Table of Contents

The differentials to be paid or received for these swap agreements are recognized as an adjustment to interest expense as incurred. The Company utilized cash flow hedge accounting for these swaps through March 31, 2014, whereby the effective portion of the change in the value of the swaps is reflected as a component of AOCI. The ineffective portion is recognized as other expense, which is a component of other (expense) income. On March 31, 2014, the cash flow hedge accounting on the remaining swap agreement was discontinued. Once cash flow hedge accounting was discontinued, the changes in the fair value of the interest rate swaps are recorded in the Condensed Consolidated Statement of Operations in interest expense and the remaining amounts included in AOCI are amortized to interest expense over the original term of the hedging relationship.

The following tables present the impact of derivative instruments and their location within the Condensed Consolidated Statement of Operations:

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations

For the Three-Month Period Ended June 30, 2014

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivative (Effective Portion) 2014	Location of Gain (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into income (Effective Portion) 2014	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion) 2014
Interest rate contracts	$	Interest Expense	$ (1,078)	Other Income (Expense)	$

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations

For the Three-Month Period Ended June 30, 2013

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivative (Effective Portion) 2013	Location of Gain (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into income (Effective Portion) 2013	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion) 2013
Interest rate contracts	$ (91)	Interest Expense	$ (2,477)	Other Income (Expense)	$ (2)

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations

For the Three-Month Period Ended June 30, 2014 and 2013

Derivatives not designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative 2014	2013
Interest rate contracts	Interest Expense	$ (225)	$

Table of Contents

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations

For the Six-Month Period Ended June 30, 2014

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivative (Effective Portion) 2014	Location of Gain (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into income (Effective Portion) 2014	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion) 2014
Interest rate contracts	$ (179)	Interest Expense	$ (2,485)	Other Income (Expense)	$

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations

For the Six-Month Period Ended June 30, 2013

Derivatives in Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivative (Effective Portion) 2013	Location of Gain (Loss) Reclassified from AOCI into income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into income (Effective Portion) 2013	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion) 2013
Interest rate contracts	$ (229)	Interest Expense	$ (4,916)	Other Income (Expense)	$ (5)

The Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations

For the Six-Month Period Ended June 30, 2014 and 2013

Derivatives not designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative 2014	2013
Interest rate contracts	Interest Expense	$ (225)	$

The Company is required to provide collateral in the form of vessel assets to support the interest rate swap agreements, excluding vessel assets of Baltic Trading. At June 30, 2014, the Company s 35 vessels mortgaged under the 2007 Credit Facility served as collateral in the aggregate amount of $100,000.

12 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of AOCI included in the accompanying condensed consolidated balance sheets consist of net unrealized gain (loss) on cash flow hedges and net unrealized gains (losses) from investments in Jinhui stock and KLC stock as of June 30, 2014 and December 31, 2013.

Changes in AOCI by Component

For the Three-Month Period Ended June 30, 2014

	Net Unrealized Gain (Loss) on Cash Flow Hedges	Net Unrealized Gain on Investments	Total
AOCI April 1, 2014	$ (5,748)	$ 46,483	$ 40,735
OCI before reclassifications		(13,737)	(13,737)
Amounts reclassified from AOCI	1,078		1,078
Net current-period OCI	1,078	(13,737)	(12,659)
AOCI June 30, 2014	$ (4,670)	$ 32,746	$ 28,076

Changes in AOCI by Component

For the Three-Month Period Ended June 30, 2013

	Net Unrealized Gain (Loss) on Cash Flow Hedges	Net Unrealized Gain on Investments	Total
AOCI April 1, 2013	$ (13,756)	$ 13,819	$ 63
OCI before reclassifications	4,863	(3,276)	1,587
Amounts reclassified from AOCI	(2,477)		(2,477)
Net current-period OCI	2,386	(3,276)	(890)
AOCI June 30, 2013	$ (11,370)	$ 10,543	$ (827)