Eagle Bulk Shipping Inc.
Form 10-Q
May 10, 2012

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from to

Commission File Number 001–33831

EAGLE BULK SHIPPING INC.

(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands	98–0453513
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

477 Madison Avenue
New York, New York 10022
(Address of principal executive offices)(Zip Code)

Registrant’s telephone number, including area code: (212) 785–2500

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

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

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

Large accelerated Filer o	Accelerated Filer x	Non-accelerated Filer o	Smaller reporting company

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
Common Stock, par value $0.01 per share, 63,003,286 shares outstanding as of May 10, 2012.

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Part 1 : FINANCIAL INFORMATION
Item 1 : Financial Statements

EAGLE BULK SHIPPING INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2012 (unaudited)	December 31, 2011
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 28,067,016	$ 25,075,203
Accounts receivable, net	12,967,279	13,960,777
Prepaid expenses	3,404,559	3,969,905
Inventories	11,617,193	11,083,331
Investment	741,862	988,196
Fair value above contract value of time charters acquired	561,825	567,315
Fair value of derivative instruments	388,670	246,110
Total current assets	57,748,404	55,890,837
Noncurrent assets:		
Vessels and vessel improvements, at cost, net of accumulated depreciation of $258,249,266 and $239,568,767, respectively	1,770,755,206	1,789,381,046
Other fixed assets, net of accumulated amortization of $373,099 and $324,691, respectively	558,414	605,519
Restricted cash	276,056	670,418
Deferred drydock costs	3,126,378	3,303,363
Deferred financing costs	10,631,288	11,766,779
Fair value above contract value of time charters acquired	2,903,898	3,041,496
Other assets	2,160,815	2,597,270
Total noncurrent assets	1,790,412,055	1,811,365,891
Total assets	$ 1,848,160,459	$ 1,867,256,728
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,504,362	$ 10,642,831
Accrued interest	2,235,525	2,815,665
Other accrued liabilities	12,725,220	11,822,582
Current portion of long-term debt	86,063,747	32,094,006
Deferred revenue and fair value below contract value of time charters acquired	5,587,047	5,966,698
Unearned charter hire revenue	3,593,868	5,779,928
Total current liabilities	120,709,769	69,121,710
Noncurrent liabilities:		
Long-term debt	1,043,414,994	1,097,384,735
Deferred revenue and fair value below contract value of time charters acquired	15,971,715	17,088,464
Fair value of derivative instruments	8,045,786	9,486,116
Total noncurrent liabilities	1,067,432,495	1,123,959,315
Total liabilities	1,188,142,264	1,193,081,025
Commitment and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value, 25,000,000 shares authorized, none issued	—	—
	630,033	630,033

Common stock, $.01 par value, 100,000,000 shares authorized, 63,003,286 shares issued and outstanding		
Additional paid-in capital	747,555,194	745,473,169
Retained earnings (net of dividends declared of $262,118,388 as of March 31, 2012 and December 31, 2011, respectively)	(79,908,015)	(62,474,486)
Accumulated other comprehensive loss	(8,259,017)	(9,453,013)
Total stockholders' equity	660,018,195	674,175,703
Total liabilities and stockholders' equity	$ 1,848,160,459	$ 1,867,256,728

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

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EAGLE BULK SHIPPING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended	
	March 31, 2012	March 31, 2011
Revenues, net of commissions	$52,616,400	$ 86,692,775
Voyage expenses	7,017,793	15,821,512
Vessel expenses	22,442,062	19,473,399
Charter hire expenses	590,484	15,924,682
Depreciation and amortization	19,433,357	17,158,844
General and administrative expenses	10,634,660	13,896,425
Total operating expenses	60,118,356	82,274,862
Operating income (loss)	(7,501,956)	4,417,913
Interest expense	10,960,910	11,336,479
Interest income	(8,038)	(57,670)
Other income	(1,021,299)	(1,050,615)
Total other expense, net	9,931,573	10,228,194
Net loss	$(17,433,529)	$ (5,810,281)
Weighted average shares outstanding :		
Basic	63,003,286	62,560,436
Diluted	63,003,286	62,560,436
Per share amounts:		
Basic net loss	$(0.28)	$ (0.09)
Diluted net loss	$(0.28)	$ (0.09)

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

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EAGLE BULK SHIPPING INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

	Three Months Ended	
	March 31, 2012	March 31, 2011
Net loss	$(17,433,529)	$ (5,810,281)
Other comprehensive income:		
Change in unrealized loss on investment	(246,334)	—
Net unrealized gain on derivatives	1,440,330	3,498,273
Total other comprehensive income	1,193,996	3,498,273
Comprehensive loss	$(16,239,533)	$ (2,312,008)

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

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EAGLE BULK SHIPPING INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2012

	Common Shares	Common Shares Amount	Additional Paid-In Capital	Net Loss	Accumulated Deficit	Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2011	63,003,286	$ 630,033	$ 745,473,169		$ (62,474,486)	$ (9,453,013)	$ 674,175,703
Net loss	—	—	—	$ (17,433,529)	(17,433,529)	—	(17,433,529)
Change in unrealized loss on investment	—	—	—	—	—	(246,334)	(246,334)
Net unrealized gain on derivatives	—	—	—	—	—	1,440,330	1,440,330
Non-cash compensation	—	—	2,082,025	—	—	—	2,082,025
Balance at March 31, 2012	63,003,286	$ 630,033	$ 747,555,194		$ (79,908,015)	$ (8,259,017)	$ 660,018,195

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

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EAGLE BULK SHIPPING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31, 2012	March 31, 2011
Cash flows from operating activities:		
Net loss	$(17,433,529)	$ (5,810,281)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Items included in net loss not affecting cash flows:		
Depreciation	18,728,907	16,236,473
Amortization of deferred drydocking costs	704,450	922,371
Amortization of deferred financing costs	1,135,491	993,727
Amortization of fair value below contract value of time charter acquired	(1,228,764)	(1,294,519)
Unrealized gain from forward freight agreements, net	(142,560)	(423,087)
Allowance for accounts receivable	3,438,145	6,586,900
Non-cash compensation expense	2,082,025	2,737,046
Drydocking expenditures	(527,465)	(217,116)
Changes in operating assets and liabilities:		
Accounts receivable	(2,444,647)	(11,346,879)
Other assets	436,455	(628,658)
Prepaid expenses	565,346	(1,565,372)
Inventories	(533,862)	(2,152,397)
Accounts payable	(138,469)	2,929,975
Accrued interest	(580,140)	(1,262,367)
Accrued expenses	902,638	4,805,107
Deferred revenue	(124,548)	(13,408)
Unearned charter hire revenue	(2,186,060)	3,295,003
Net cash provided by operating activities	2,653,413	13,792,518
Cash flows from investing activities:		
Vessels and vessel improvements and advances for vessel construction	(54,659)	(42,807,522)
Purchase of other fixed assets	(1,303)	(57,910)
Changes in restricted cash	394,362	—
Net cash provided by (used in) investing activities	338,400	(42,865,432)
Cash flows from financing activities:		
Changes in restricted cash	—	(1,123,258)
Cash used to settle net share equity awards	—	(1,210,177)
Net cash used in financing activities	—	(2,333,435)
Net increase (decrease) in cash	2,991,813	(31,406,349)
Cash at beginning of period	25,075,203	129,121,680
Cash at end of period	$28,067,016	$ 97,715,331

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

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EAGLE BULK SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Basis of Presentation and General Information

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

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

As of March 31, 2012, we owned and operated a modern fleet of 45 oceangoing vessels comprised of 43 Supramax and 2 Handymax vessels with a combined carrying capacity of 2,451,259 dwt and an average age of approximately five years. In 2011, we completed our Supramax vessel newbuilding program.

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

Charterer	% of Consolidated charter revenue Three Months Ended March 31,			
	2012		2011	
Charterer A	-		14.1	%
Charterer B	24.8	%	-	
Charterer C	11.0	%	-	

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States, and the rules and regulations of the Securities and Exchange Commission (“SEC”) which apply to interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes normally included in consolidated financial statements prepared in conformity with generally accepted accounting principles in the United States. They should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2011 Annual Report on Form 10-K.

The accompanying unaudited consolidated financial statements include all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair statement of its consolidated financial position and results of operations for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the entire year.

Risks and Uncertainties
Legal Proceedings

On January 25, 2011, Korea Line Corporation ("KLC"), one of our charterers, filed for protective receivership in Seoul, South Korea. On February 15, 2011, the Korean courts approved this request. The Company has temporarily taken back the employment of all affected chartered vessels and re-chartered them out on the spot and short-term time charter markets, pursuant to terms approved by the Korean court. Earnings during this interim period were used to offset the charter hire otherwise due from KLC.

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On March 3, 2011, the Company reached a comprehensive agreement with the receivers of KLC regarding twelve time-chartered vessels impacted by KLC's decision to file for protective receivership, which was certified by the joint receivers on March 15, 2011. The main points of this agreement were:

- Charter rates on ten vessels have been adjusted to $17,000 per vessel per day. Additionally, through December 31, 2015, the Company will receive all profits between $17,000 and $21,000 per vessel per day. During this period any additional profits above $21,000 per vessel per day are to be split equally between the Company and KLC.
- After December 31, 2015, all profits above $17,000 per vessel per day are to be split equally until the conclusion of the charters which expire at the earliest on December 31, 2018.
- For the next twelve months commencing March 15, 2011, the Company will be responsible to charter these ten vessels, while KLC will be responsible for any shortfall between the vessels' actual daily earnings and $17,000 per vessel per day. Any such shortfall shall be treated as a "claim for common benefit" under the Korean laws of corporate Rehabilitation, and is payable in full.
  - Time charter rates on two newbuildings still to be delivered to KLC at the time of the agreement were adjusted to $17,000 per vessel per day with the same profit-sharing arrangement as above. On May 20, 2011 and July 13, 2011 the Company took delivery of these two newbuilding vessels, and the Company has chartered them out on the spot and short-term time charter markets. KLC will be responsible for any shortfall between the vessels' actual daily earnings and $17,000 per vessel per day. Any such shortfall shall be treated as a "claim for common benefit" under the Korean laws of corporate rehabilitation, payable in full.
- At the time the agreement was reached, one vessel was not impacted, subject to the continued performance of the vessel's sub-charterer. The daily time charter rate on this vessel was to remain at $18,300 until January 2014, after which the rate would be $18,000 per day plus 50% of any profits above this rate until the earliest completion of the charter in December 2018. In October, 2011, due to the failure of the sub-charterer to perform, KLC terminated the sub-charter and the Company took over the employment of this vessel at the same charter rate and terms mentioned above for the other ten vessels.

On April 1, 2011, the Company filed a claim for all unpaid amounts in respect of the employment of the eleven vessels that were under charter to KLC for the period up to February 15, 2011, and an agreement was reached with the KLC receivers on September 20, 2011 as to the amount of the claim.

On October 14, 2011, following a vote by the interested creditors, the Korean court approved a Rehabilitation Plan, pursuant to which 37% of the Company’s claim in respect of the period up to February 15, 2011 will be paid in cash installments from 2012 through 2021. The majority of the cash payment installments will be paid in the last five years, and the remaining 63% of the claim will be converted to KLC stock. The KLC stock certificates were issued on November 24, 2011 and are now being secured at the Korean Securities Depository for 6 months from the issuance date until May 24, 2012, the date on which the Company will be able to take possession of the share certificates. The KLC stock is designated as Available for Sale and is reported at fair value, with unrealized gains and losses recorded in shareholders’ equity as a component of accumulated other comprehensive income. On March 31, 2012, the fair value of KLC’s stock was $741,862.

We evaluated the KLC matter to make a determination as to the impact, if any, on our business, liquidity, results of operations, financial condition and cash flows, and recorded an initial allowance for bad debt in the first quarter of 2011 of $6,586,900, which was updated in the fourth quarter of 2011 to reflect the settlement on November 24, 2011. Accordingly, in the fourth quarter of 2011 we adjusted the allowance to $1,811,320, which reflects our recovery of $1,269,070 and write off of $3,506,510. As of March 31, 2012, KLC is not performing in accordance with the $17,000 per vessel per day shortfall arrangement. That revenue does not meet our revenue recognition policy and approximately $12.4 million is not included in our financial statements. We will recognize that revenue and any future revenue from KLC when collectability is assured.

Long-Term Debt and Liquidity

On September 26, 2011, we entered into the Sixth Amendatory and Commercial Framework Implementation Agreement (the "Sixth Amendment") to the Third Amended and Restated Credit Agreement dated October 19, 2007 with The Royal Bank of Scotland plc, as mandated lead arranger, bookrunner, swap bank, agent and security trustee and certain other lenders (collectively the "Lenders"), also referred to herein as the revolving credit facility, credit facility or facility. Most of the provisions of this Sixth Amendment, unless amended, originally expired on April 30, 2012. On April 27, 2012, the Company and the Lenders extended the expiration date of the Sixth Amendment to May 31, 2012. Among other provisions, the Sixth Amendment suspends the Company's compliance with the Minimum Adjusted Net Worth covenant until May 31, 2012 for the accounting periods ended March 31, 2011, June 30, 2011, September 30, 2011, December 31, 2011 and March 31, 2012, and suspended compliance with the Minimum Liquidity covenant until January 30, 2012. From January 31, 2012 until March 30, 2012, the Minimum Liquidity covenant was reduced to $500,000 multiplied by the number of vessels owned, and from March 31 until April 29, 2012 and from April 30, 2012 to May 31, 2012, the Company is required to maintain cash and cash equivalents in the amount of $27,000,000 and $36,000,000, respectively. Until May 31, 2012, the calculation of the Minimum Liquidity covenant includes undrawn facility amounts as cash and cash equivalents. As of March 31, 2012 the undrawn amount under the facility was $21,875,735. The Sixth Amendment also requires the Company to obtain the Lenders' consent for additional vessel dispositions during the commercial framework period, and to make reasonable efforts to meet certain reporting requirements to the Lenders.

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The Company was in compliance with all of the covenants related to this Sixth Amendment as of March 31, 2012 and expects to be in compliance with all such covenants in effect through the expiration of the Sixth Amendment on May 31, 2012.

At the end of the commercial framework period we will provide to our Lenders the compliance certificates for the deferred periods. As described in note 4, on August 4, 2009, we entered into a third amendatory agreement to our revolving credit facility. Among other things, the third amendatory agreement reduced the facility to $1.2 billion and changed the applicable interest rate to 2.5% over LIBOR. In addition, among other changes, the third amendatory agreement amended the facility's net worth covenant from a market value to book value measurement with respect to the value of our fleet and reduced the facility's EBITDA to interest coverage ratio, with these changes to stay in effect until we were in compliance with the facility's original covenants for two consecutive accounting periods. Based on information which we provided in 2010 to the Lenders under the revolving credit facility, the agent for the Lenders notified us that according to its interpretation we were in compliance with the original covenants for the second and third quarters during 2010, and, therefore, our original collateral covenants have been reinstated. We disagree with the interpretation of the original covenant calculation being used by the agent and have advised the agent that we were not in compliance with the original covenants for these two consecutive quarters, and, therefore, the amended collateral covenants should remain in place. Under the agent's interpretation of the covenant, we were in compliance both with the original collateral covenants and the amended collateral covenants during the accounting period ended December 31, 2010. We have remained in compliance with the amended collateral covenants during the accounting periods ended March 31, 2011, June 30, 2011, September 30, 2011, December 31, 2011, and March 31, 2012, but would not have been in compliance with the covenants for these periods under the agent's interpretation of the original collateral covenants. We believe that our interpretation of the facility agreement's covenant calculation is correct, that the reinstatement of the original loan covenant has not occurred, and that we remain in compliance with all covenants in effect at March 31, 2012. However, if the agent's interpretation is determined to be correct, we would not be in compliance with the original covenants for the periods ending March 31, 2011, June 30, 2011, September 30, 2011, December 31, 2011, and March 31, 2012, which would constitute a default under the facility agreement and would result in the classification as current of the amounts due under the facility agreement and would lead to substantial doubt about our ability to continue as a going concern, if we are unable to agree on satisfactory alternative terms or obtain a waiver from the Lenders.

We anticipate that our current financial resources, together with cash generated from operations, will be sufficient to fund the operations of our fleet, including our working capital and facility amortization requirements, throughout 2012. We anticipate that we will not be able to meet the covenant requirements under our facility commencing in January 2013. We are in discussions with our Lenders as part of the Sixth Amendment to amend the facility's amortization schedule or the covenants then in effect. Although there is no assurance that we will be successful in doing so, we continue to seek a satisfactory agreement with our Lenders. We are also evaluating possible asset sales and equity and debt financing alternatives that, if we are successful in executing, could raise incremental cash.

Note 2. New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (“FASB”) issued amended guidance on fair value measurement and related disclosures. The new guidance clarified the concepts applicable for fair value measurement of non-financial assets and requires the disclosure of quantitative information about the unobservable inputs used in a fair value measurement. This guidance will be effective for reporting periods beginning after December 15, 2011, and will be applied prospectively. The adoption of this amendment in 2012 did not have a material effect on the presentation of our consolidated financial statements.

In June and December 2011, the FASB issued two Accounting Standard Updates (“ASUs”), which amend guidance for the presentation of comprehensive income. The amended guidance requires an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The current option to report other comprehensive income and its components in the statement of stockholders' equity has been eliminated. Although the new guidance changes the presentation of comprehensive income, there are no changes to the components that are recognized in net income or other comprehensive income under existing guidance. We adopted these ASUs using two consecutive statements in the first quarter of 2012 for all periods presented.

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In December 2011, the FASB issued an ASU for balance sheets, which contains new disclosure requirements regarding the nature of an entity's rights of set off and related arrangements associated with its financial instruments and derivative instruments. Under generally accepted accounting principles in the United States, certain derivative and repurchase agreement arrangements are granted exceptions from the general off-setting model. The new disclosure requirement will provide financial statement users information regarding both gross and net exposures. This guidance is effective for annual and interim financial statements beginning on or after January 1, 2013. Retrospective application is required. We do not expect a material impact on our consolidated financial statements as a result of the adoption of this ASU.

Note 3. Vessels

Vessel and Vessel Improvements

At March 31, 2012, the Company's operating fleet consisted of 45 dry bulk vessels. The Company has completed its newbuilding program in the fourth quarter of 2011.

Vessel and vessel improvements:

Vessels and Vessel Improvements, at December 31, 2011	$	1,789,381,046
Purchase of Vessel Improvements		54,659
Depreciation Expense		(18,680,499)
Vessels and Vessel Improvements, at March 31, 2012	$	1,770,755,206

Note 4. Debt

Debt consists of the following:

		March 31, 2012		December 31, 2011
Credit Facility	$	1,129,478,741	$	1,129,478,741
Less: Current portion		(86,063,747)		(32,094,006)
Long-term debt	$	1,043,414,994	$	1,097,384,735

At March 31, 2012, the Company's debt consisted of $1,129,478,741 in borrowings under the amended revolving credit facility.

On September 26, 2011, we entered into a Sixth Amendatory and Commercial Framework Implementation Agreement (the "Sixth Amendment") to the Third Amended and Restated Credit Agreement dated October 19, 2007, which originally expired on April 30, 2012. On April 27, 2012, the Company and the Lenders extended the expiration date of the Sixth Amendment to May 31, 2012. Among other provisions, the Sixth Amendment suspends the Company's compliance with the Minimum Adjusted Net Worth covenant until May 31, 2012 for the accounting periods ending March 31, 2011, June 30, 2011, September 30, 2011, December 31, 2011, and March 31, 2012, and suspended compliance with the Minimum Liquidity covenant until January 30, 2012. From January 31, 2012 until March 30, 2012, the Minimum Liquidity covenant was reduced to $500,000 multiplied by the number of vessels owned, and from March 31 until April 29, 2012 and from April 30, 2012 to May 31, 2012, the Company is required to maintain cash and cash equivalents in the amount of $27,000,000 and $36,000,000, respectively. Until May 31, 2012, the calculation of the Minimum Liquidity covenant includes undrawn facility amounts as cash and cash equivalents. As of March 31, 2011, the undrawn amount under the facility was $21,875,735. The Sixth Amendment requires the Company to obtain the Lenders' consent for additional vessel dispositions during the commercial framework period, and to make reasonable efforts to meet certain reporting requirements to the Lenders.

On August 4, 2010, the Company entered into a Fourth Amendatory Agreement to its revolving credit facility dated October 19, 2007, pursuant to which the Lenders consented, among other things, for the Company to conduct a Trading Operation.

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On August 4, 2009, the Company entered into a Third Amendatory Agreement to its revolving credit facility dated October 19, 2007. Among other things, the Third Amendatory Agreement reduced the amount of the credit facility to $1,200,000,000 with maturity in July 2014. The agreement also modified the minimum security covenant, the minimum net worth covenant, and the minimum interest coverage ratio covenant, until such time as the Company can comply with the original covenants for two consecutive accounting periods. In the interim, the measurement of the three covenants at the end of each accounting period has been amended as follows: (a) The minimum security covenant has been suspended, (b) the minimum net worth covenant has been amended to a threshold minimum of $400 million plus an amount equal to fifty percent of any equity received by the Company, with the determination of net worth to utilize book value of vessel assets as stated in the financial statements rather than the market value, and (c) until reinstatement of the original minimum security and net worth covenants, for 24 months from July 1, 2009 to June 30, 2011, at each accounting period, the Company's cumulative EBITDA (EBITDA as defined in the credit agreement) was at all times required to be not less than 120% of the cumulative loan interest incurred on a trailing four quarter basis, and for each accounting period after June 30, 2011, the Company's cumulative EBITDA is at all times required to be not less than 130% of the cumulative loan interest incurred on a trailing four quarter basis. The amendment also requires that until the Company is in compliance with the original covenants (as mentioned below) for two consecutive accounting periods, the Company will use half the net proceeds from any equity issuance to reduce the facility, including $48,645,523 from the equity raised in 2009. These payments reduced the available amount of the credit facility to $1,151,354,476. On July 25, 2011, the Company paid $21,875,735 towards the credit facility. The facility bears interest at LIBOR plus 2.50%. Undrawn portions of the facility bear a commitment fee of 0.7%. The facility is available in full until July 2012, when availability will begin to decline in four semi-annual reductions of $53,969,741 with a full repayment at maturity.

Under the terms of the Third Amendatory Agreement of the revolving credit facility, among other things, we will maintain with the lender an amount not less than the greater of $500,000 per delivered vessel or an amount equal to any reductions in the total commitments scheduled to be effected within the next six months less the amount of the then unutilized facility. Under the Sixth Amendment, among other things, the minimum liquidity covenant was suspended until January 30, 2012.

On December 17, 2008, the Company entered into a Second Amendatory Agreement to its $1,600,000,000 revolving credit facility, which among other things, amended the amount of the credit facility to $1,350,000,000. The agreement also amends the minimum security value of the credit facility to include the aggregate market value of the vessels in the Company's operating fleet and the deposits on its newbuilding contracts. The agreement amends the minimum security value clause of the credit facility from 130% to 100% of the aggregate principal amount of debt outstanding under the credit facility. The agreement also provides that future dividend payments will be based on maintaining a minimum security value of 130%. The agreement reduced the minimum net worth clause of the credit facility from $300,000,000 to $75,000,000 for 2009, subject to annual review thereafter. The agreement also amended the interest margin to 1.75% over LIBOR.

Our obligations under the amended revolving credit facility are secured by a first priority mortgage on each of the vessels in our fleet and such other vessels that we may from time to time include with the approval of our lender, and by a first assignment of all freights, earnings, insurances and requisition compensation relating to our vessels. The facility also limits our ability to create liens on our assets in favor of other parties.

For the three months ended March 31, 2012, interest rates on the outstanding debt ranged from 2.71% to 7.73%, including a margin of 2.50% over LIBOR applicable under the terms of the amended revolving credit facility. The weighted average effective interest rate was 3.43%. Interest costs on borrowings used to fund the Company's newbuilding program are capitalized until the vessels are delivered.

Interest Expense, exclusive of capitalized interest, consists of:

	Three Months Ended	
	March 31, 2012	March 31, 2011
Loan Interest	$ 9,825,419	$ 10,342,752
Amortization of Deferred Financing Costs	1,135,491	993,727
Total Interest Expense	$ 10,960,910	$ 11,336,479

Interest paid, exclusive of capitalized interest, in the three-month periods ended March 31, 2012 and 2011 amounted to $10,405,559 and $10,997,881, respectively.

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Note 5. Derivative Instruments and Fair Value Measurements

Interest-Rate Swaps

The Company entered into interest rate swaps to effectively convert a portion of its debt from a floating to a fixed-rate basis. Under these swap contracts, exclusive of applicable margins, the Company will pay fixed rate interest and receive floating-rate interest amounts based on three-month LIBOR settings. The swaps are designated and qualify as cash flow hedges. The following table summarizes the interest rate swaps in place as of March 31, 2012 and December 31, 2011.

	Notional Amount Outstanding – March 31, 2012		Notional Amount Outstanding – December 31, 2011	Fixed Rate		Maturity
$	36,752,038	$	36,752,038	5.225	%	08/2012
	81,500,000		81,500,000	3.895	%	01/2013
	84,800,000		84,800,000	3.900	%	09/2013
$	203,052,038	$	203,052,038			

The Company records the fair value of the interest rate swaps as an asset or liability on its balance sheet. The effective portion of the swap is recorded in accumulated other comprehensive income. Accordingly, liabilities of $8,045,786 and $9,486,116 have been recorded in Fair value of derivative instruments in the Company's balance sheets as of March 31, 2012 and December 31, 2011.

Forward freight agreements ("FFAs"), bunker swaps and freight derivatives

The Company trades in the FFAs, bunker swaps and freight derivatives markets, with the objective to utilize these markets as economic hedging instruments that reduce the risk of specific vessels to changes in the freight market and bunker costs. The Company's FFAs, bunker swaps and freight derivatives have not qualified for hedge accounting treatment. As of March 31, 2012, the net amount of $388,670 has been recorded in the Fair value of derivative instruments as a current asset in the accompanying balance sheet.

No portion of the cash flow hedges shown below was ineffective during the period ended March 31, 2012. The effect of cash flow hedging relationships on the balance sheets as of March 31, 2012 and December 31, 2011, and the statement of operations for the periods ended March 31, 2012 and 2011 are as follows:

The effect of designated derivative instruments on the consolidated balance sheets:

	Amount of Loss Recognized in OCI on Derivative (Effective Portion)			
Derivatives designated for cash flow hedging relationships		March 31, 2012		December 31, 2011
Interest rate swaps	$	(8,045,786)	$	(9,486,116)
Total	$	(8,045,786)	$	(9,486,116)

The effect of non-designated derivative instruments on the statements of operations:

Amount of Gain	
Period Ended	Period Ended

Derivatives not designated as hedging instruments	Location of Gain Recognized	March 31, 2012	March 31, 2011
FFAs, bunker swaps and freight derivatives	Other income	$ 1,021,299	$ 1,050,615
Total		$ 1,021,299	$ 1,050,615

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Cash collateral Disclosures

The Company does not offset fair value amounts recognized for derivatives by the right to reclaim cash collateral or the obligation to return cash collateral. The amount of collateral to be posted is defined in the terms of the respective master agreement executed with counterparties or exchanges and is required when agreed upon threshold limits are exceeded. At March 31, 2012, the Company's had no collateral requirement related to its FFAs, bunker swaps and freight derivative transactions. As of March 31, 2012, the Company had no outstanding amounts paid as collateral to derivative fair value positions.

Fair Value Measurements

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

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

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

Interest rate swaps—the fair value of interest rate swaps (used for hedging purposes) is the estimated amount that the Company would receive or pay to terminate the swaps at the reporting date.

Forward freight agreements (FFAs)—the fair value of FFAs is determined based on quoted rates.

Freight derivative instruments—the fair value of freight derivative contracts is the estimated amount that the Company would receive or pay to terminate the option contracts at the reporting date.

Bunker swaps—the fair value of bunker swaps is the estimated amount that the Company would receive or pay to terminate the swaps at the reporting date.

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

Level 1 – Quoted prices in active markets for identical assets or liabilities. Our Level 1 non-derivative include cash, money-market account and restricted cash account.
Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable. Our Level 2 non-derivative include our credit facility account.
Level 3 – Inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

The following table presents information about our assets and liabilities measured at fair value on a recurring basis as of March 31, 2012 and December 31, 2011, aggregated by the level in the fair value hierarchy within which those measurements fell.

	March 31, 2012			December 31,2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Bunker swaps	$389,145	—	—	$142,750	—	—
Bunker derivative instruments	—	—	—	—	$261,000	—
Liabilities:						

Interest rate swaps	—	$8,045,786	—	—	$9,486,116	—
Bunker swaps	$475	—	—	$53,000	—	—
Bunker derivative instruments	—	—	—	—	$104,640	—

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Note 6. Commitments and Contingencies

Legal Proceedings

We are involved in legal proceedings and we may become involved in other legal matters arising in the ordinary course of our business. We evaluate these legal matters on a case-by-case basis to make a determination as to the impact, if any, on our business, liquidity, results of operations, financial condition or cash flows. We currently are party to the legal proceedings described below.

Korea Line Corporation

We have asserted a claim against one of our charterers, KLC, as discussed in Note 1 above.

Shareholder Derivative Lawsuits

On June 13, 2011, a complaint against our board of directors and a former director was filed in the United States District Court for the Southern District of New York alleging, among other things, that the directors breached their fiduciary duties of loyalty, good faith and care in connection with (i) director and officer compensation in the years 2008, 2009 and 2010; (ii) the Company's Management Agreement with Delphin Shipping LLC ("Delphin") (specifically, according to the complaint, alleged conflicts of interest between the Company's Chief Executive Officer, Delphin and the Company); and (iii) the adjournment of the Company's 2011 Annual Meeting of Shareholders. The complaint seeks rescission of director and officer compensation for those years as well as the Management Agreement, and seeks unspecified damages. The matter is currently in discovery.

On August 23, and August 30, 2011, respectively, two additional lawsuits were brought in the Supreme Court of the State of New York (New York County) against our board of directors and a former director alleging substantially similar breaches of fiduciary duties as those alleged in the lawsuit filed on June 13, 2011. The Company filed a motion to stay these proceedings pending the outcome of the June 13, 2011 federal action, which motion was granted on January 10, 2012, staying both state court proceedings.

On October 31, 2011, a complaint was filed in the United States District Court for the Southern District of New York by one of the plaintiffs in the June 13, 2011 federal action against us and our board of directors alleging deficiencies in the Company's proxy statement in connection with its special meeting of shareholders that was held on November 17, 2011. A preliminary injunction seeking to prevent the meeting was brought on November 3, 2011, but the company revised its proxy statement and the motion was subsequently withdrawn, allowing the meeting to proceed as planned. The Company served an answer to the complaint on March 19, 2012.

Vessel Technical Management Contract

The Company has technical management agreements for certain of its vessels with independent technical managers. The Company paid average monthly technical management fees of $10,194 and $9,966 per vessel during the three months ended March 31, 2012 and 2011, respectively.

Other

On July 28, 2011, the Company entered into an agreement to charter-in a 37,000 dwt newbuilding Japanese vessel that is expected to be delivered between May and October 2014 for seven years with an option for an additional one year. The hire rate for the first to seventh year is $13,500 per day and $13,750 per day for the eighth year option. The Company has options to purchase the vessel starting at the end of the fifth year.

Note 7. Related Party Transactions

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

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Pursuant to the Management Agreement Eagle provided commercial and technical supervisory management services to Delphin vessels for a monthly fee of $15,834 for the first 10 vessels, $11,667 for the second 10 vessels and $8,750 for the third 10 vessels. Construction of the first vessel was commenced in December 2010. This monthly fee covers the vessels' commercial and technical management supervision. Total management fees for the period ended March 31, 2012 and 2011 amounted to $545,022 and $79,700, respectively. The total reimbursable expenses during these periods amounted to $6,050 and $2,062, respectively. The balance due from Delphin as of March 31, 2012 amounted to $97,197. The balance due mainly consists of management fees, administrative service fees and other reimbursable expenses.

Note 8. Earnings Per Common Share

The computation of basic earnings per share is based on the weighted average number of common shares outstanding during the period. Diluted net income per share gives effect to stock options and restricted stock units using the treasury stock method, unless the impact is anti-dilutive. Diluted net income per share as of March 31, 2012, does not include 2,817,834 restricted stock units and 1,313,483 stock options as their effect was anti-dilutive.

	Three Months Ended	
	March 31, 2012	March 31, 2011
Net loss	$ (17,433,529)	$ (5,810,281)
Weighted Average Shares – Basic	63,003,286	62,560,436
Dilutive effect of stock options and restricted stock units	—	—
Weighted Average Shares – Diluted	63,003,286	62,560,436
Basic Earnings Per Share	$ (0.28)	$ (0.09)
Diluted Earnings Per Share	$ (0.28)	$ (0.09)

Note 9. Capital Stock

Dividends

Payment of dividends is in the discretion of the Company's board of directors and is limited by the terms of certain agreements to which the Company and its subsidiaries are parties to and provisions of Marshall Islands law. The Company's revolving credit facility permits it to pay quarterly dividends in amounts up to its cumulative free cash flows, which is our earnings before extraordinary or exceptional items, interest, taxes, depreciation and amortization (Credit Agreement EBITDA), less the aggregate amount of interest incurred and net amounts payable under interest rate hedging agreements during the relevant period and an agreed upon reserve for dry-docking for the period, provided that the Company is in compliance with its loan covenants. Depending on market conditions in the dry bulk shipping industry and acquisition opportunities that may arise, the Company may be required to obtain additional debt or equity financing which could affect its dividend policy. In this connection, the dry bulk market has recently declined substantially. In December 2008, the Company's board of directors suspended the payment of dividends to stockholders in order to increase cash flow, optimize financial flexibility and enhance internal growth. In the future, the declaration and payment of dividends, if any, will always be subject to the discretion of the board of directors, restrictions contained in the credit facility and the requirements of Marshall Islands law. The timing and amount of any dividends declared will depend on, among other things, the Company's earnings, financial condition and cash requirements and availability, the ability to obtain debt and equity financing on acceptable terms as contemplated by the Company's growth strategy, the terms of its outstanding indebtedness and the ability of the Company's subsidiaries to distribute funds to it.

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Note 10. Stock Incentive Plans

2011 Equity Incentive Plan. In November 2011, our shareholders approved the Eagle Bulk Shipping Inc. 2011 Equity Incentive Plan (the “2011 Plan”) for the purpose of affording incentive compensation to persons eligible for awards under the 2011 Plan. The 2011 Plan provides for the grant of equity-based awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, unrestricted stock, other equity-based or equity-related awards, and/or performance compensation awards based on or relating to the Company's common shares to eligible non-employee directors, officers, employees or consultants of the Company or any of its subsidiaries. The 2011 Plan is administered by the Compensation Committee of the Company’s board of directors or such other committee of the Company's board of directors that the board of directors shall designate. An aggregate of 5.9 million of the Company's common shares have been authorized for issuance under the 2011 Plan. The shares reserved for issuance under the 2011 Plan are not subject to adjustment in the event of a reverse stock split commenced prior to the Company’s 2012 Annual General Meeting of Shareholders. The 2011 Plan was approved by shareholders subject to the Company’s confirmation in the proxy materials relating to the approval of the 2011 Plan that no options granted under the plan would, in the aggregate, exceed 10% of the Company’s issued and outstanding shares on a fully diluted basis on the date the options first become exercisable and that any awards under the 2011 Plan would be conditioned upon the successful negotiation of the refinancing or restructuring the Company’s credit facility.

2009 Equity Incentive Plan. In May 2009, our shareholders approved the Eagle Bulk Shipping Inc. 2009 Equity Incentive Plan (the “2009 Plan”) for the purpose of affording incentive compensation to eligible persons. The 2009 Plan provides for the grant of equity-based awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, unrestricted stock, other equity-based or equity-related awards, and/or performance compensation awards based on or relating to the Company’s common shares to eligible non-employee directors, officers, employees or consultants of the Company or any of its subsidiaries. The 2009 Plan is administered by the Compensation Committee of the Company’s board of directors or such other committee of the Company’s board of directors that the board of directors shall determine. A maximum of 4.2 million of the Company’s common shares have been authorized for issuance under the 2009 Plan.

The Company granted restricted stock units (“RSUs”) to members of its management which vest ratably between three to five years. As of March 31, 2012, RSUs covering a total of 2,817,834 of the Company’s shares are outstanding. These RSUs also entitle the participant to receive a dividend equivalent payment on the unvested portion of the underlying shares granted under the award, each time the Company pays a dividend to the Company’s shareholders. The dividend equivalent rights on the unvested RSU are forfeited upon termination of employment. The Company is amortizing to non-cash compensation expense the fair value of the non-vested restricted stock at the grant date. For the three months ended March 31, 2012 and 2011, the amortization charge was $2,082,025 and $2,219,285, respectively. The remaining expense for each of the years ending 2012, 2013, and 2014 will be $6,202,033, $3,907,678, and $535,513 respectively.

As of March 31, 2012 and December 31, 2011, options covering 1,313,483 of the Company’s common shares are outstanding with exercise prices ranging from $4.34 to $21.88 per share (the market prices at dates of grants). The options granted to the Company’s independent non-employee directors vested and became exercisable on the grant dates. The options granted to members of the Company’s management vest and become exercisable over three years. All options expire between five to ten years from the date of grant.

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

Three Months Ended March 31,

	2012	2011
Stock Option Plans	$ —	$ 517,761
Restricted Stock Grants	2,082,025	2,219,285
Total Non-cash compensation expense	$ 2,082,025	$ 2,737,046

As of March 31, 2012, Dividend Equivalent Rights Awards ("DERs") equivalent to 574,000 of the Company's common shares are outstanding to its independent non-employee directors and members of its management. These DERs entitle the participant to receive a dividend equivalent payment each time the Company pays a dividend to the Company's shareholders. For the three months ended March 31, 2012 and 2011, no compensation expenses were recorded.

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Note 11. Subsequent event

On November 17, 2011, Eagle Bulk shareholders granted authority for the Company’s Board of Directors to effect a reverse stock split of the Company’s issued and outstanding common stock. On May 9, 2012, the Company's Board of Directors approved a one-for-four reverse stock split, expected to be effective on May 22, 2012. Eagle Bulk's common stock is expected to begin trading on NASDAQ on a split-adjusted basis when the market opens on May 23, 2012. The number of issued and outstanding shares of Eagle Bulk common stock will reduce from approximately 63.00 million to approximately 15.75 million. The number of authorized shares of common stock will not change. The change in the number of shares will be applied retroactively in consolidated financial statements following the effective date. All common share and per-share amounts herein have not been adjusted for the effects of the Reverse Stock Split, other than below.

	Three Months Ended	
	March 31, 2012	March 31, 2011
Net loss	$(17,433,529)	$ (5,810,281)
Pre-split:		
Weighted average shares outstanding - Basic and Diluted:	63,003,286	62,560,436
Per share net loss - Basic and Diluted:	$(0.28)	$ (0.09)
Post-split:		
Weighted average shares outstanding - Basic and Diluted:	15,750,821	15,640,109
Per share net loss - Basic and Diluted:	$(1.11)	$ (0.37)

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ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following is a discussion of the Company's financial condition and results of operation for the three-month periods ended March 31, 2012 and 2011. This section should be read in conjunction with the consolidated financial statements included elsewhere in this report and the notes to those financial statements.

This discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended and the Private Securities Litigation Reform Act of 1995, and are intended to be covered by the safe harbor provided for under these sections. These statements may include words such as “believe,” “estimate,” “project,” “intend,” “expect,” “plan,” “anticipate,” and expressions in connection with any discussion of the timing or nature of future operating or financial performance or other events. Forward looking statements reflect management's current expectations and observations with respect to future events and financial performance. Where we express an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed, projected, or implied by those forward-looking statements. The principal factors that affect our financial position, results of operations and cash flows include, charter market rates, which have recently declined significantly from historic highs, periods of charter hire, vessel operating expenses and voyage costs, which are incurred primarily in U.S. dollars, depreciation expenses, which are a function of the cost of our vessels, significant vessel improvement costs and our vessels' estimated useful lives, and financing costs related to our indebtedness. Our actual results may differ materially from those anticipated in these forward looking statements as a result of certain factors which could include the following: (i) changes in demand in the dry bulk market, including, without limitation, changes in production of, or demand for, commodities and bulk cargoes, generally or in particular regions; (ii) greater than anticipated levels of dry bulk vessel new building orders or lower than anticipated rates of dry bulk vessel scrapping; (iii) changes in rules and regulations applicable to the dry bulk industry, including, without limitation, legislation adopted by international bodies or organizations such as the International Maritime Organization and the European Union or by individual countries; (iv) actions taken by regulatory authorities; (v) changes in trading patterns significantly impacting overall dry bulk tonnage requirements; (vi) changes in the typical seasonal variations in dry bulk charter rates; (vii) changes in the cost of other modes of bulk commodity transportation; (viii) changes in general domestic and international political conditions; (ix) changes in the condition of the Company's vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated drydocking costs); (x) the outcome of our discussions with the agent of our revolving credit facility regarding the calculation of collateral covenants, (xi) the outcome of legal proceeding in which we are involved; and (xii) and other factors listed from time to time in our filings with the Securities and Exchange Commission. This discussion also includes statistical data regarding world dry bulk fleet and orderbook and fleet age. We generated some of this data internally, and some were obtained from independent industry publications and reports that we believe to be reliable sources. We have not independently verified this data nor sought the consent of any organizations to refer to their reports in this quarterly report. We disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Overview

Eagle Bulk Shipping Inc. (the "Company", "we", "us", or "our"), incorporated under the laws of the Republic of the Marshall Islands (the "Marshall Islands") and headquartered in New York City, is engaged primarily in the ocean transportation of a broad range of major and minor bulk cargoes, including iron ore, coal, grain, cement and fertilizer, along worldwide shipping routes. We operate in the Handymax sector of the dry bulk industry, with particular emphasis on the Supramax class of vessels. We own one of the largest fleets of Supramax dry bulk vessels in the world. Supramax dry bulk vessels range in size from 50,000 to 60,000 deadweight tons, or dwt. These vessels have the cargo loading and unloading flexibility of on-board cranes while offering cargo carrying capacities approaching that of Panamax dry bulk vessels, which range in size from 60,000 to 100,000 dwt and must rely on port facilities to load and offload their cargoes. We believe that the cargo handling flexibility and cargo carrying capacity of the Supramax class vessels make them attractive to charterers.

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As of March 31, 2012, we owned and operated a modern fleet of 45 oceangoing vessels comprised of 43 Supramax and 2 Handymax vessels with a combined carrying capacity of 2,451,259 dwt and an average age of approximately five years. In 2011, we completed our Supramax vessel newbuilding program.

Each of our vessels is owned by us through a separate wholly owned Republic of the Marshall Islands limited liability company.

On September 26, 2011, we successfully entered into the Sixth Amendatory and Commercial Framework Implementation Agreement, as discussed in Note 1 to the consolidated financial statements included in this Quarterly Report and the section entitled “Liquidity and Capital Resources” below. We are currently in discussions with our Lenders as part of the Sixth Amendment to either amend the facility's amortization schedule or the covenants then in effect. Although there is no assurance that we will be successful in doing so, we continue to seek a satisfactory agreement with our Lenders.

On May 9, 2012, our Board of Directors approved a one-for-four reverse stock split, expected to be effective on May 22, 2012. Our common stock is expected to begin trading on NASDAQ on a split-adjusted basis when the market opens on May 23, 2012. Our shareholders previously granted authority to our Board of Directors to effect the reverse stock split at our special meeting of shareholders held on November 17, 2011. The number of issued and outstanding shares of our common stock will reduce from approximately 63.0 million to approximately 15.75 million as a result of the reverse stock split. The number of authorized shares of our common stock will not change as a result of the reverse stock split. The change in the number of our outstanding common shares will be applied retroactively in our consolidated financial statements following the effective date. All common share and per-share amounts herein have not been adjusted for the effects of the reverse stock split, other than as described in Note 11 to the consolidated financial statements included in this Quarterly Report.

We maintain our principal executive offices at 477 Madison Avenue, New York, New York 10022. Our telephone number at that address is (212) 785-2500. Our website address is www.eagleships.com. Information contained on our website does not constitute part of this quarterly report.

Our financial performance is based on the following key elements of our business strategy:

(1) concentration in one vessel category: Supramax class of Handymax dry bulk vessels, which we believe offer size, operational and geographical advantages over Panamax and Capesize drybulk vessels,

(2) Our strategy is to balance between long-term time charters and revenues generated by short-term time charters and voyage charters to maximize our financial performance throughout shipping cycles. We have entered into time and voyage charter employment contracts for all the vessels in our operating fleet. We charter some of our vessels pursuant to one- to three-year time charters to allow us to take advantage of the stable cash flow and high utilization rates that are associated with medium to long-term time charters. The vessels that are on charters whose revenues are linked to the Baltic Supramax Index generally have durations of one-year or less. These index linked charters and voyage charters will provide us with the revenue upside when the market improves. We believe that this structure provides significant visibility to our future financial results and allows us to take advantage of the relatively stable cash flows and high utilization rates that are associated with medium- to long-term time charters, while at the same time providing us with the revenue upside potential from the index linked or short-term time charters or voyage charters. All the charters provide for fixed semi-monthly payments in advance. While we remain focused on securing charters with fixed base rates, we have also entered into contracts with fixed minimum rates and profit sharing arrangements, enabling us to benefit from an increasing rate environment while still minimizing downside risk. We regularly monitor the dry bulk shipping market and based on market conditions we may consider taking advantage of short-term charter rates.

(3) maintain high quality vessels and improve standards of operation through improved environmental procedures, crew training and maintenance and repair procedures, and

(4) maintain a balance between purchasing vessels as market conditions and opportunities arise and maintaining prudent financial ratios (e.g. leverage ratio).

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We have employed all of our vessels in our operating fleet on time and voyage charters, the following table represents certain information about our revenue earning charters with respect to our operating fleet as of March 31, 2012:

Vessel	Year Built	Dwt	Charter Expiration (1)	Daily