GENCO SHIPPING & TRADING LTD
Form 10-K
March 01, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2012

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 (Address of principal executive offices)	**10171** (Zip Code)

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

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

Title of Each Class

Common Stock, par value $.01 per share

Name of Each Exchange on Which Registered

New York Stock Exchange

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

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

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

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

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

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

Large accelerated filer o

Accelerated filer x

Non-accelerated filer o Smaller reporting company o

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

The aggregate market value of the registrant s voting common equity held by non-affiliates of the registrant on the last business day of the registrant s most recently completed second fiscal quarter, computed by reference to the last sale price of such stock of $3.05 per share as of June 30, 2012 on the New York Stock Exchange, was approximately $113.6 million. The registrant has no non-voting common equity issued and outstanding. The determination of affiliate status for purposes of this paragraph is not necessarily a conclusive determination for any other purpose.

The number of shares outstanding of the registrant s common stock as of March 1, 2013 was 44,270,273 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Proxy Statement for the 2013 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2012, are incorporated by reference in Part III herein.

PART I

ITEM 1. BUSINESS

OVERVIEW

We are a New York City-based company, incorporated in the Marshall Islands in 2004. We transport iron ore, coal, grain, steel products and other drybulk cargoes along worldwide shipping routes through the ownership and operation of drybulk carrier vessels. Excluding vessels of Baltic Trading Limited (Baltic Trading), our fleet currently consists of 53 drybulk carriers, including nine Capesize, eight Panamax, 17 Supramax, six Handymax and 13 Handysize drybulk carriers, with an aggregate carrying capacity of approximately 3,810,000 dwt. The average age of our current fleet is approximately 7.8 years, as compared to the average age for the world fleet of approximately 10 years for the drybulk shipping segments in which we compete. All of the vessels in our fleet were built in shipyards with reputations for constructing high-quality vessels. Excluding Baltic Trading, approximately 75% of the vessels in our fleet are currently on spot market-related time charters and approximately 15% are on fixed-rate time charter contracts. Additionally, five of our vessels currently operate in the Lauritzen Pool. Under a pool arrangement, the vessels operate under a time charter agreement whereby the cost of bunkers and port expenses are borne by the pool and operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. Since the members of the pool share in the revenue generated by the entire group of vessels in the pool, and the pool operates in the spot market, the revenue earned by these five vessels are subject to the fluctuations of the spot market. Most of our vessels are chartered to well-known charterers, including Lauritzen Bulkers A/S or LB/IVS Pool, in which Lauritzen Bulkers A/S acts as the pool manager (collectively, Lauritzen Bulkers), Cargill International S.A. (Cargill), Pacific Basin Chartering Ltd. (Pacbasin), Trafigura Beheer B.V. (Trafigura), Klaveness Chartering (Klaveness) and Swissmarine Services S.A. (Swissmarine).

In addition, Baltic Trading s fleet currently consists of two Capesize, four Supramax and three Handysize drybulk carriers with an aggregate carrying capacity of approximately 672,000 dwt.

If market conditions improve, we may acquire additional modern, high-quality drybulk carriers through timely and selective acquisitions of vessels in a manner that is accretive to our cash flow. In connection with the acquisitions made during 2007 through 2011 and our growth strategy, we negotiated the 2007 Credit Facility, $100 Million Term Loan Facility, $253 Million Term Loan Facility and the 2010 Baltic Trading Credit Facility (each as defined herein) that we have used to acquire vessels. As we have used our remaining availability under these facilities, if we make acquisitions of additional vessels, we may consider additional debt or equity financing alternatives.

On June 3, 2010, we entered into an agreement to purchase a total of eight Handysize drybulk vessels, including five newbuildings, from companies within the Metrostar Management Corporation group of companies (Metrostar) for an aggregate purchase price of $266.0 million. Five of these vessels are owned by us and three are owned by Baltic Trading. Additionally, on June 24, 2010, we entered into a Master Agreement with Bourbon SA (Bourbon) to purchase 16 drybulk vessels, including two newbuildings, for an aggregate purchase price of $545.0 million. We retained 13 of the 16 vessels, including one newbuilding, and the remaining three vessels were immediately resold to Maritime Equity Partners LLC (MEP). Our Chairman, Peter C. Georgiopoulos, controls and has a minority interest in MEP. All eight vessels have been delivered from Metrostar and all 16 vessels have been delivered from Bourbon, three of which were sold to MEP.

In order to fund the acquisition of these vessels, we entered into two senior secured term loan facilities. On August 12, 2010, we entered into a $100 million senior secured term loan facility (the $100 Million Term Loan Facility) to be utilized to fund or refund to us a portion of the purchase price of the acquisition of five vessels from Metrostar. On August 20, 2010, we entered into a $253 million senior secured term loan facility (the $253 Million Term Loan Facility) to fund a portion of the purchase price of the acquisition of 13 vessels from Bourbon. The Baltic Trading vessels have been funded utilizing its $150 million senior secured revolving credit facility (the 2010 Baltic Trading Credit Facility).

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

We hold an investment in the capital stock of Jinhui Shipping and Transportation Limited (Jinhui). Jinhui is a drybulk shipping owner and operator focused on the Supramax segment of drybulk shipping.

We organized Baltic Tradingwhich completed its initial public offering, or IPO, on March 15, 2010. As of December 31, 2012, our wholly-owned subsidiary Genco Investments LLC owned 5,699,088 shares of Baltic Trading s Class B Stock, which represents a 24.78% ownership interest in Baltic Trading at December 31, 2012 and 83.17% of the aggregate voting power of Baltic Trading s outstanding shares of voting stock. Baltic Trading is consolidated as we control a majority of the voting interest in Baltic Trading. Management s discussion and analysis of our results of operations and financial condition includes the results of Baltic Trading.

We entered into a long-term management agreement (the Management Agreement) with Baltic Trading pursuant to which we apply our expertise and experience in the drybulk industry to provide Baltic Trading with commercial, technical, administrative and strategic services. The Management Agreement is for an initial term of approximately 15 years and will automatically renew for additional five-year periods unless terminated in accordance with its terms. Baltic Trading will pay us for the services we provide it as well as reimburse us for our costs and expenses incurred in providing certain of these services. Management fee income we earn from the Management Agreement net of any allocated shared expenses, such as salary, office expenses and other general and administrative fees, will be taxable to us. Upon consolidation with Baltic Trading, any management fee income earned will be eliminated for financial reporting purposes.

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

AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy statements, and other documents with the SEC, under the Securities Exchange Act of 1934, or the Exchange Act. The public may read and copy any materials that we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at www.sec.gov.

In addition, our company website can be found on the Internet at www.gencoshipping.com. The website contains information about us and our operations. Copies of each of our filings with the SEC on Form 10-K, Form 10-Q and Form 8-K, and all amendments to those reports, can be viewed and downloaded free of charge after the reports and amendments are electronically filed with or furnished to the SEC. To view the reports, access www.gencoshipping.com, click on Investor, then SEC Filings. No information on our company website is incorporated by reference into this annual report on Form 10-K.

Any of the above documents can also be obtained in print by any shareholder upon request to our Investor Relations Department at the following address:

Corporate Investor Relations

Genco Shipping & Trading Limited

299 Park Avenue, 12th Floor

New York, NY 10171

BUSINESS STRATEGY

Our strategy is to manage and expand our fleet in a manner that maximizes our cash flows from operations. To accomplish this objective, we intend to:

- *Strategically expand the size of our fleet* If market conditions improve, we may acquire additional modern, high-quality drybulk carriers through timely and selective acquisitions of vessels in a manner that is accretive to our cash flows. If we make acquisitions of additional vessels, we may consider additional debt or equity financing alternatives.

- *Continue to operate a high-quality fleet* - We intend to maintain a modern, high-quality fleet that meets or exceeds stringent industry standards and complies with charterer requirements through our technical managers rigorous and comprehensive maintenance program. In addition, our technical managers maintain the quality of our vessels by carrying out regular inspections, both while in port and at sea.

- *Pursue an appropriate combination of time and spot charters* - All of our 53 vessels, excluding those of Baltic Trading, are under time charters, spot market-related time charters or pool agreements. Charters under fixed rate contracts provide us with relatively stable revenues, and charterers under spot market-related time charters provide us with market revenues, both of which provide us with a high fleet utilization. We may in the future pursue other market opportunities for our vessels to capitalize on market conditions, including arranging longer or shorter charter periods and entering into short-term time charters, voyage charters and use of vessel pools. Our charter strategy through the current unfavorable market condition has been focused on signing short-term or spot market-related contracts with multinational charterers in order to preserve our ability to capitalize on possible future rate increases.

- *Maintain low-cost, highly efficient operations* During the year ended December 31, 2012, we outsourced technical management of our fleet, to Wallem Shipmanagement Limited (Wallem), Anglo-Eastern Group (Anglo), and V.Ships Limited (V.Ships), third-party independent technical managers, at a cost we believe is lower than what we could achieve by performing the function in-house. Our management team actively monitors and controls vessel operating expenses incurred by the independent technical managers by overseeing their activities. Finally, we seek to maintain low-cost, highly efficient operations by capitalizing on the cost savings and economies of scale that result from operating sister ships.

- *Capitalize on our management team s reputation* - We will continue to capitalize on our management team s reputation for high standards of performance, reliability and safety, and maintain strong relationships with major international charterers, many of whom consider the reputation of a vessel owner and operator when entering into time charters. We believe that our management team s track record improves our relationships with high quality shipyards and financial institutions, many of which consider reputation to be an indicator of creditworthiness.

OUR FLEET

The table below summarizes the characteristics of our vessels, including those of Baltic Trading:

Genco Shipping & Trading Limited:

Vessel	Class	Dwt	Year Built
Genco Augustus	Capesize	180,151	2007
Genco Claudius	Capesize	169,025	2010
Genco Constantine	Capesize	180,183	2008
Genco Commodus	Capesize	169,025	2009
Genco Hadrian	Capesize	169,694	2008
Genco London	Capesize	177,833	2007
Genco Maximus	Capesize	169,025	2009
Genco Tiberius	Capesize	175,874	2007

Genco Titus	Capesize	177,729	2007
Genco Acheron	Panamax	72,495	1999
Genco Beauty	Panamax	73,941	1999

Vessel	Class	Dwt	Year Built
Genco Knight	Panamax	73,941	1999
Genco Leader	Panamax	73,941	1999
Genco Raptor	Panamax	76,499	2007
Genco Surprise	Panamax	72,495	1998
Genco Thunder	Panamax	76,588	2007
Genco Vigour	Panamax	73,941	1999
Genco Aquitaine	Supramax	57,981	2009
Genco Ardennes	Supramax	57,981	2009
Genco Auvergne	Supramax	57,981	2009
Genco Bourgogne	Supramax	57,981	2010
Genco Brittany	Supramax	57,981	2010
Genco Cavalier	Supramax	53,617	2007
Genco Hunter	Supramax	58,729	2007
Genco Languedoc	Supramax	57,981	2010
Genco Loire	Supramax	53,416	2009
Genco Lorraine	Supramax	53,416	2009
Genco Normandy	Supramax	53,596	2007
Genco Picardy	Supramax	55,257	2005
Genco Predator	Supramax	55,407	2005
Genco Provence	Supramax	55,317	2004
Genco Pyrenees	Supramax	57,981	2010
Genco Rhone	Supramax	58,018	2011
Genco Warrior	Supramax	55,435	2005
Genco Carrier	Handymax	47,180	1998
Genco Marine	Handymax	45,222	1996
Genco Muse	Handymax	48,913	2001
Genco Prosperity	Handymax	47,180	1997
Genco Success	Handymax	47,186	1997
Genco Wisdom	Handymax	47,180	1997
Genco Avra	Handysize	34,391	2011
Genco Bay	Handysize	34,296	2010
Genco Challenger	Handysize	28,428	2003
Genco Champion	Handysize	28,445	2006
Genco Charger	Handysize	28,398	2005
Genco Explorer	Handysize	29,952	1999
Genco Mare	Handysize	34,428	2011
Genco Ocean	Handysize	34,409	2010
Genco Pioneer	Handysize	29,952	1999
Genco Progress	Handysize	29,952	1999
Genco Reliance	Handysize	29,952	1999
Genco Spirit	Handysize	34,432	2011
Genco Sugar	Handysize	29,952	1998

Baltic Trading Limited:

Vessel	Class	Dwt	Year Built
Baltic Bear	Capesize	177,717	2010
Baltic Wolf	Capesize	177,752	2010
Baltic Cougar	Supramax	53,432	2009
Baltic Jaguar	Supramax	53,474	2009
Baltic Leopard	Supramax	53,447	2009
Baltic Panther	Supramax	53,351	2009
Baltic Breeze	Handysize	34,386	2010

Baltic Cove	Handysize	34,403	2010
Baltic Wind	Handysize	34,409	2009

FLEET MANAGEMENT

Our management team and other employees are responsible for the commercial and strategic management of our fleet. Commercial management involves negotiating charters for vessels, managing the mix of various types of charters, such as time charters, voyage charters and spot market-related time charters, and monitoring the performance of our vessels under their charters. Strategic management involves locating, purchasing, financing and selling vessels.

We utilize the services of reputable independent technical managers for the technical management of our fleet. We currently contract with Wallem, Anglo and V.Ships, independent technical managers, for our technical management. Technical management involves the day-to-day management of vessels, including performing routine maintenance, attending to vessel operations and arranging for crews and supplies. Members of our New York City-based management team oversee the activities of our independent technical managers. The head of our technical management team has over 30 years of experience in the shipping industry.

Wallem, founded in 1971, Anglo, founded in 1974 and V.Ships, founded in 1984, are among the largest ship management companies in the world. These technical managers are known worldwide for their agency networks, covering all major ports in China, Hong Kong, Japan, Vietnam, Taiwan, Thailand, Malaysia, Indonesia, the Philippines and Singapore. These technical managers provide services to over 1,000 vessels of all types, including Capesize, Panamax, Supramax, Handymax and Handysize drybulk carriers that meet strict quality standards.

Under our technical management agreements, our technical manager is obligated to:

- provide personnel to supervise the maintenance and general efficiency of our vessels;
- arrange and supervise the maintenance of our vessels to our standards to assure that our vessels comply with applicable national and international regulations and the requirements of our vessels classification societies;
- select and train the crews for our vessels, including assuring that the crews have the correct certificates for the types of vessels on which they serve;
- check the compliance of the crews licenses with the regulations of the vessels flag states and the International Maritime Organization, or IMO;
- arrange the supply of spares and stores for our vessels; and
- report expense transactions to us, and make its procurement and accounting systems available to us.

OUR CHARTERS

As of February 27, 2013, excluding Baltic Trading, we employed 40 of our 53 drybulk carriers under spot market-related time charters, which are time charters with rates based on published Baltic Indices. These types of charters are similar to time charters with the exception of having a fixed rate over the term of the time charter agreement. As such, the revenue earned by these 40 vessels is subject to the fluctuations of the spot market. Four of these vessels have spot market-related time charters which are linked with a floor of $8,500 and a ceiling of $13,500 daily with a 50% profit sharing arrangement to apply to any amount above the ceiling. The rate is based on 115% of the average of the daily rates of the Baltic Handysize index as reflected in daily reports. Additionally, as of February 27, 2013, excluding Baltic Trading, we employed eight of our 53 drybulk carriers under fixed-rate time charters. A time charter involves the hiring of a vessel from its owner for a period of time pursuant to a contract under which the vessel owner places its ship (including its crew and equipment) at the disposal of the charterer. Under a time charter, the charterer periodically pays a fixed daily charterhire rate to the owner of the vessel and bears all voyage expenses, including the cost of bunkers (fuel), port expenses, agents fees and canal dues.

The remaining five of our drybulk carriers are currently in a vessel pool. The Genco Explorer, Genco Pioneer, Genco Progress, Genco Reliance and Genco Sugar are in the Lauritzen Pool. We believe that vessel pools provide cost-effective commercial management activities for a group of similar class vessels. The pool arrangement provides the benefits of a large-scale operation and chartering efficiencies that might not be available to smaller fleets. Under the pool arrangement, the vessels operate under a time charter agreement whereby the cost of bunkers and port expenses are borne by the charterer and operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. Since the members of the pool share in the revenue generated by the entire group of vessels in the pool, and the pool operates in the spot market, the revenue earned by these five vessels is subject to the fluctuations of the spot market.

Subject to any restrictions in the contract, the charterer determines the type and quantity of cargo to be carried and the ports of loading and discharging. Our vessels operate worldwide within the trading limits imposed by our insurance terms. The technical operation and navigation of the vessel at all times remains the responsibility of the vessel owner, which is generally responsible for the vessel s operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses.

Each of our current time charters, spot market-related time charters and vessel pool agreements expire within a range of dates (for example, a minimum of 11 and maximum of 13 months following delivery), with the exact end of the time charter left unspecified to account for the uncertainty of when a vessel will complete its final voyage under the time charter. The charterer may extend the charter period by any time that the vessel is off-hire. If a vessel remains off-hire for more than 30 consecutive days, the time charter may be cancelled at the charterer s option.

In connection with the charter of each of our vessels, we incur commissions generally ranging from 1.25% to 6.25% of the total daily charterhire rate of each charter to third-parties, depending on the number of brokers involved with arranging the relevant charter.

We monitor developments in the drybulk shipping industry on a regular basis and strategically adjust the charterhire periods for our vessels according to market conditions as they become available for charter.

During the beginning of 2009, the Genco Cavalier, a 2007-built Supramax vessel, was on charter to Samsun Logix Corporation (Samsun), when Samsun filed for the equivalent of bankruptcy protection in South Korea, otherwise referred to as a rehabilitation application. On February 5, 2010, the rehabilitation plan submitted by Samsun was approved by the South Korean courts. As part of the rehabilitation process, our claim of approximately $17.2 million will be settled in the following manner: 34%, or approximately $5.9 million, will be paid in cash in annual installments on December 30 of each year from 2010 through 2019 ranging in percentages from eight to 17; the remaining 66%, or approximately $11.3 million, converted to Samsun shares at a specified value per share. During the year ended December 31, 2012, we have recorded $0.3 million as other operating income which represents 50% of the portion (9%) of the cash settlement that was due on December 30, 2012 as this was the only amount remitted by Samsun. During the year ended December 31, 2011, we have recorded $0.5 million as other operating income which represents the portion (9%) of the cash settlement that was due on December 30, 2011. During the year ended December 31, 2010, we have recorded $0.6 million as other operating income which represents the portion (10%) of the cash settlement which was due on December 30, 2010.

During January 2011, the Genco Success, a 1997-built Handymax vessel, was on charter to Korea Line Corporation (KLC) when KLC filed for a rehabilitation application. On July 3, 2012, the rehabilitation plan submitted by KLC was approved by the South Korean courts. As part of the rehabilitation process, our claim of approximately $0.8 million will be settled in the following manner: 37%, or approximately $0.3 million, will be paid in cash in annual installments on December 30 of each year from 2012 through 2021 ranging in percentages from 0.5 to 43; the remaining 63%, or approximately $0.5 million, converted to KLC shares at a specified value per share. During the year ended December 31, 2012, we have recorded two-thousand dollars as other operating income which represents the portion (0.5%) of the cash settlement that was due on December 30, 2012.

The following table sets forth information about the current employment of the vessels currently in our fleet as of February 27, 2013:

<u>Genco Shipping & Trading Limited</u>

Vessel	**Year Built**	**Charterer**	**Charter Expiration (1)**	**Cash Daily Rate (2)**
<u>Capesize Vessels</u>				
Genco Augustus	2007	Cargill International S.A.	March 2013	100% of BCI
Genco Tiberius	2007	Cargill International S.A.	September 2013	100% of BCI

Genco London	2007	Cargill International S.A.	July 2013	100% of BCI
Genco Titus	2007	Swissmarine Services S.A.	June 2013	100% of BCI
Genco Constantine	2008	Cargill International S.A.	October 2013	100% of BCI
Genco Hadrian	2008	Swissmarine Services S.A.	October 2013	98.5% of BCI(3)
Genco Commodus	2009	Swissmarine Services S.A.	May 2013	99% of BCI
Genco Maximus	2009	Swissmarine Services S.A.	December 2013	98.5% of BCI(4)
Genco Claudius	2010	Swissmarine Services S.A.	January 2014	98.5% of BCI(5)
Panamax Vessels				
Genco Beauty	1999	Global Maritime Investments Ltd.	May 2013	97% of BPI
Genco Knight	1999	Swissmarine Services S.A.	January 2014	98% of BPI(6)
Genco Leader	1999	TTMI Sarl	December 2013	100% of BPI(7)
Genco Vigour	1999	Global Maritime Investments Ltd.	March 2013	97% of BPI
Genco Acheron	1999	Global Maritime Investments Ltd.	March 2013	97% of BPI

Genco Surprise	1998	Swissmarine Services S.A.	September 2013	97% of BPI
Genco Raptor	2007	Global Maritime Investments Ltd.	March 2013	100% of BPI
Genco Thunder	2007	Swissmarine Services S.A.	June 2013	97% of BPI
Supramax Vessels				
Genco Predator	2005	D Amico Dry Ltd.	May 2013/Oct. 2014	103% of BSI/101% of BSI(8)
Genco Warrior	2005	Pacific Basin Chartering Ltd.	May 2014	101% of BSI
Genco Hunter	2007	Pacific Basin Chartering Ltd.	July 2013	105% of BSI
Genco Cavalier	2007	West Line Shipping Co., Ltd.	March 2013	$7,000(9)
Genco Lorraine	2009	Pioneer Navigation Ltd.	July 2013	$9,400
Genco Loire	2009	Clipper Bulk Shipping N.V.	July 2013	$9,950
Genco Aquitaine	2009	Pioneer Navigation Ltd.	March 2013	100% of BSI
Genco Ardennes	2009	Hamburg Bulk Carriers	February 2014	$10,250
Genco Auvergne	2009	Pacific Basin Chartering Ltd.	April 2013	100% of BSI
Genco Bourgogne	2010	Thoresen Shipping Singapore PTE Ltd.	July 2013	$8,000(10)
Genco Brittany	2010	D Amico Dry Ltd.	April 2013	100% of BSI
Genco Languedoc	2010	Clipper Bulk Shipping N.V./D Amico Dry Ltd.	Mar. 2013/Jan. 2015	$8,500/100% of BSI(11)
Genco Normandy	2007	Pacific Basin Chartering Ltd.	March 2013	$8,500(12)
Genco Picardy	2005	Pioneer Navigation Ltd.	December 2014	101% of BSI(13)
Genco Provence	2004	Pioneer Navigation Ltd.	March 2014	101% of BSI(14)
Genco Pyrenees	2010	Navig8 Inc.	March 2013	100% of BSI
Genco Rhone	2011	AMN Bulk Carriers Inc.	March 2013	100% of BSI
Handymax Vessels				
Genco Success	1997	ED & F MAN Shipping Ltd .	April 2013	91.5% of BSI
Genco Carrier	1998	Klaveness Chartering	June 2013	91% of BSI
Genco Prosperity	1997	ED & F MAN Shipping Ltd .	June 2013	$7,000(15)
Genco Wisdom	1997	JIT International Co., Ltd.	April 2013	$7,900(16)
Genco Marine	1996	ED & F MAN Shipping Ltd .	April 2013	91% of BSI
Genco Muse	2001	Trafigura Beheer B.V.	March 2013	93.5% of BSI
Handysize Vessels				
Genco Explorer	1999	Lauritzen Bulkers A/S	May 2013	Spot(17)
Genco Pioneer	1999	Lauritzen Bulkers A/S	May 2013	Spot(17)
Genco Progress	1999	Lauritzen Bulkers A/S	February 2014	Spot(17)
Genco Reliance	1999	Lauritzen Bulkers A/S	February 2014	Spot(17)
Genco Sugar	1998	Lauritzen Bulkers A/S	February 2014	Spot(17)
Genco Charger	2005	Pacific Basin Chartering Ltd.	February 2015	100% of BHSI(18)
Genco Challenger	2003	Pacific Basin Chartering Ltd.	February 2015	100% of BHSI(19)
Genco Champion	2006	Pacific Basin Chartering Ltd.	March 2013	100% of BHSI
Genco Ocean	2010	Cargill International S.A.	June 2013	$8,500-$13,500 with 50% profit sharing(20)
Genco Bay	2010	Cargill International S.A.	March 2013	$8,500-$13,500 with 50% profit sharing(20)
Genco Avra	2011	Cargill International S.A.	March 2014	$8,500-$13,500 with 50% profit sharing(20)
Genco Mare	2011	Cargill International S.A.	May 2015	115% of BHSI
Genco Spirit	2011	Cargill International S.A.	September 2014	$8,500-$13,500 with 50% profit sharing(20)

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(1) The charter expiration dates presented represent the earliest dates that our charters may be terminated in the ordinary course. Under the terms of each contract, the charterer is entitled to extend the time charter from two to four months in order to complete the vessel s final voyage plus any time the vessel has been off-hire.

(2) Time charter rates presented are the gross daily charterhire rates before third-party commissions generally ranging from 1.25% to 6.25%. In a time charter, the charterer is responsible for voyage expenses such as bunkers, port expenses, agents fees and canal dues.

(3) We have reached an agreement with Swissmarine Services S.A. on a spot market-related time charter for 10.5 to 13.5 months based on 98.5% of the Baltic Capesize Index (BCI), published by the Baltic Exchange, as reflected in daily reports. Hire is paid every 15 days in arrears less a 5.00% third party brokerage commission. Genco maintains the option to convert to a fixed rate based on Capesize FFA values at 98.5%. The vessel delivered to charterers on December 7, 2012.

(4) We have agreed to an extension with Swissmarine Services S.A. on a spot market-related time charter for 11 to 13.5 months based on 98.5% of the BCI, as reflected in daily reports. Hire is paid every 15 days in arrears less a 5.00% third party brokerage commission. Genco maintains the option to convert to a fixed rate based on Capesize FFA values at 98.5%. The extension began on January 18, 2013.

(5) We have agreed to an extension with Swissmarine Services S.A. on a spot market-related time charter for 11 to 13.5 months based on 98.5% of the BCI, as reflected in daily reports. Hire is paid every 15 days in arrears less a 5.00% third party brokerage commission. Genco maintains the option to convert to a fixed rate based on Capesize FFA values at 98.5%. The extension began on February 12, 2013.

(6) We have agreed to an extension with Swissmarine Services S.A. on a spot market-related time charter based on 98% of the Baltic Panamax Index (BPI), published by the Baltic Exchange, as reflected in daily reports, except for the initial 10 days in which hire is based on 98% of the rate for the Baltic Panamax P3A route. Hire is paid every 15 days in arrears less a 5.00% third party brokerage commission. The minimum and maximum expiration dates of the time charter are January 1, 2014 and April 1, 2014, respectively. Genco maintains the option to convert to a fixed rate based on Panamax FFA values at 98%. The extension is expected to begin on or about March 9, 2013.

(7) We have reached an agreement with TTMI Sarl on a spot market-related time charter for 10 to 15 months based on 100% of the BPI, as reflected in daily reports, except for the initial 40 days in which hire is based on 100% of the rate for the Baltic Panamax P3A route. Hire is paid every 15 days in arrears less a 5.00% third party brokerage commission. Genco maintains the option to convert to a fixed rate based on Panamax FFA values at 100%. The vessel s previous time charter ended on January 23, 2013 and delivered to the new charterers on February 5, 2013 after repositioning.

(8) We have agreed to an extension with D Amico Dry Ltd. on a spot market-related time charter based on 101% of the Baltic Supramax Index (BSI), published by the Baltic Exchange, as reflected in daily reports. Hire is paid every 15 days in arrears less a 5.00% third party brokerage commission. The minimum and maximum expiration dates of the time charter are October 7, 2014 and January 7, 2015, respectively. Genco maintains the option to convert to a fixed rate based on Supramax FFA values at 101%. The extension is expected to begin on or about May 11, 2013.

(9) We have reached an agreement with West Line Shipping Co., Ltd. on a time charter for approximately 20 days at a rate of $7,000 per day. Hire is paid every 15 days in advance less a 5.00% third party brokerage commission. The vessel delivered to charterers on February 20, 2013 after repositioning. The vessel s previous time charter with Pacific World Shipping PTE Ltd. at a rate of $9,500 per day ended on February 14, 2013.

(10) We have reached an agreement with Thoresen Shipping Singapore PTE Ltd. on a time charter for 8 to 13 months at a rate of $8,000 per day. Hire is paid every 15 days in advance less a 5.00% third party brokerage commission. The vessel delivered to charterers on November 23, 2012.

(11) We have reached an agreement with D Amico Dry Ltd. on a spot market-related time charter based on 100% of the BSI, as reflected in daily reports, except for the initial 35 days in which the hire rate will be based on the average of the Baltic Supramax S2 and S3 routes. Hire will be paid every 15 days in arrears less a 5.00% third party brokerage commission. The minimum and maximum expiration dates of the time charter are January 5, 2015 and March 5, 2015, respectively. Genco maintains the option to convert to a fixed rate based on Supramax FFA values at 100%. The vessel is expected to deliver to charterers on or about March 2, 2013.

(12) We have reached an agreement with Pacific Basin Chartering Ltd. on a time charter for 3 to 5.5 months at a rate of $8,500 per day. Hire is paid every 15 days in advance less a 5.00% third party brokerage commission. The vessel delivered to charterers on December 9, 2012 after being previously fixed with Oceanwide Services GMBH on a time charter at a rate of $8,100 per day beginning on November 15, 2012.

(13) We have reached an agreement with Pioneer Navigation Ltd. on a spot market-related time charter based on 101% of the BSI, as reflected in daily reports, except for the initial 38 days in which the hire rate will be $5,000 per day. Hire is paid every 15 days in arrears less a 5.00% third party brokerage commission. The minimum and maximum expiration dates of the time charter are December 1, 2014 and February 15, 2015, respectively. Genco maintains the option to convert to a fixed rate based on Supramax FFA values at 101%. The vessel delivered to charterers on February 20, 2013.

(14) We have reached an agreement with Pioneer Navigation Ltd. on a spot market-related time charter based on 101% of the BSI, as reflected in daily reports, except for the initial 30 days in which the hire rate will be $5,500 per day. Hire is paid every 15 days in arrears less a 5.00% third party brokerage commission. The minimum and maximum expiration dates of the time charter are March 1, 2014 and June 1, 2014, respectively. Genco maintains the option to convert to a fixed rate based on Supramax FFA values at 101%. The vessel delivered to charterers on January 1, 2013.

(15) We have reached an agreement with ED & F MAN Shipping Ltd. on a time charter for 3.5 to 7 months at a rate of $7,000 per day less a 5.00% third party brokerage commission. Hire is paid every 15 days in advance. The vessel delivered to charters on February 22, 2013 after repositioning. The vessel s previous time charter with Jaldhi Overseas PTE Ltd. at a rate of $4,000 per day ended on February 17, 2013.

(16) We have reached an agreement with JIT International Co., Ltd. on a time charter for 4 to 6.5 months at a rate of $7,900 per day less a 5.00% third party brokerage commission. Hire is paid every 15 days in advance. The vessel delivered to charterers on December 6, 2012.

(17) We have reached an agreement to enter these vessels into the LB/IVS Pool whereby Lauritzen Bulkers A/S acts as the pool manager. We can withdraw up to two vessels with three months notice and the remaining three vessels with 12 months notice.

(18) We have reached an agreement with Pacific Basin Chartering Ltd. on a spot market-related time charter based on 100% of the Baltic Handysize Index (BHSI), as published by the Baltic Exchange, as reflected in daily reports. Hire is paid every 15 days in arrears less a 5.00% third party brokerage commission. The minimum and maximum expiration dates of the time charter are February 15, 2015 and May 15, 2015, respectively. Genco maintains the option to convert to a fixed rate based on Handysize FFA values at 100%. The vessel delivered to charterers on January 31, 2013.

(19) We have reached an agreement with Pacific Basin Chartering Ltd. on a spot market-related time charter for 23 to 27 months based on 100% of the BHSI, as reflected in daily reports. Hire will be paid every 15 days in arrears less a 5.00% third party brokerage commission. Genco maintains the option to convert to a fixed rate based on Handysize FFA values at 100%. The vessel is currently in drydock for scheduled repairs and is expected to deliver to charterers on or about March 11, 2013.

(20) The rate for the spot market-related time charter is linked with a floor of $8,500 and a ceiling of $13,500 daily with a 50% profit sharing arrangement to apply to any amount above the ceiling. The rate is based on 115% of the average of the daily rates of the BHSI, as reflected in

daily reports. Hire is paid every 15 days in advance net of a 5.00% third party brokerage commission. These vessels were acquired with existing time charters with below-market rates. For these below-market time charters, Genco allocates the purchase price between the respective vessels and an intangible liability for the value assigned to the below-market charter-hire. This intangible liability is amortized as an increase to voyage revenues over the minimum remaining terms of the applicable charters, at which point the respective liabilities will be amortized to zero and the vessels will begin earning the Cash Daily Rate. For cash flow purposes, Genco will continue to receive the rate presented in the Cash Daily Rate column until the charter expires. Specifically, for the Genco Spirit, Genco Avra, Genco Ocean and Genco Bay, the daily amount of amortization associated with the below-market rates are approximately $200, $350, $700 and $750 per day over the actual cash rate earned, respectively.

Baltic Trading Limited

Vessel	Year Built	Charterer	Charter Expiration(1)	Employment Structure
Capesize Vessels				
Baltic Bear	2010	Swissmarine Services S.A.	May 2013	101.5% of BCI (2)
Baltic Wolf	2010	Cargill International S.A.	May 2014	100% of BCI (3)

Supramax Vessels				
Baltic Leopard	2009	Resource Marine PTE Ltd. (part of the Macquarie group of companies)	February 2014	95% of BSI (4)
Baltic Panther	2009	Klaveness Chartering	April 2013	95% of BSI (5)
Baltic Jaguar	2009	Resource Marine PTE Ltd. (part of the Macquarie group of companies)	April 2014	95% of BSI (6)
Baltic Cougar	2009	Pacific World Shipping PTE Ltd.	March 2013	$7,500(7)
Handysize Vessels				
Baltic Wind	2009	Cargill International S.A.	May 2013	115% of BHSI (8)
Baltic Cove	2010	Cargill International S.A.	February 2014	115% of BHSI (8)
Baltic Breeze	2010	Cargill International S.A.	July 2014	115% of BHSI (8)

(1) The charter expiration dates presented represent the earliest dates that our charters may be terminated in the ordinary course. Under the terms of each contract, the charterer is entitled to extend the time charters from two to four months in order to complete the vessel s final voyage plus any time the vessel has been off-hire.

(2) We have agreed to an extension with Swissmarine Services S.A. on a spot market-related time charter at a rate based on 101.5% of the average of the daily rates of the Baltic Capesize Index (BCI), published by the Baltic Exchange, as reflected in daily reports. Hire is paid in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to GS&T. The duration of the extension is 10.5 to 13.5 months.

(3) We have agreed to an extension with Cargill International S.A. on a spot market-related time charter based on 100% of the average of the daily rates of the BCI, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 5.00% brokerage commission, which includes the 1.25% commission payable to GS&T. The duration of the spot market-related time charter is 21.5 to 26.5 months.

(4) We have reached an agreement with Resource Marine PTE Ltd. on a spot market-related time charter for a minimum of 18.5 months to a maximum end date of May 30, 2014 based on 95% of the average of the daily rates of the Baltic Supramax Index (BSI), published by the Baltic Exchange, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to GS&T.

(5) We have reached an agreement with Klaveness Chartering on a spot market-related time charter based on 95% of the average of the daily rates of the BSI, as reflected in daily reports. The duration is 22.5 to 25.5 months with hire paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to GS&T.

(6) We have reached an agreement with Resource Marine PTE Ltd. on a spot market-related time charter for a minimum of 20.5 months to a maximum end date of July 11, 2014 based on 95% of the average of the daily rates of the BSI, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to GS&T.

(7) We have reached an agreement with Pacific World Shipping PTE Ltd. on a time charter for approximately 20 days at a rate of $7,500 per day. Hire is paid every 15 days in advance net of a 6.25% brokerage commission, which includes the 1.25% commission payable to GS&T. The vessel delivered to charters on February 18, 2013 after repositioning. The vessel was previously fixed with Bulk Marine Ltd. on a time charter at a rate of $9,250 per day which ended on February 12, 2013.

(8) The rate for each of these spot market-related time charters is based on 115% of the average of the daily rates of the Baltic Handysize Index (BHSI), published by the Baltic Exchange, as reflected in daily reports. Hire is paid every 15 days in advance net of a 6.25% brokerage commission, which includes the 1.25% commission payable to GS&T

CLASSIFICATION AND INSPECTION

All of our vessels have been certified as being in class by the American Bureau of Shipping (ABS), Det Norske Veritas (DNV) or Lloyd s Register of Shipping (Lloyd s). Each of these classification societies is a member of the International Association of Classification Societies. Every commercial vessel s hull and machinery is evaluated by a classification society authorized by its country of registry. The classification society certifies that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel s country of registry and the international conventions of which that country is a member. Each vessel is inspected by a surveyor of the classification society in three surveys of varying frequency and thoroughness: every year for the annual survey, every two to three years for the intermediate survey and every four to five years for special surveys. Special surveys always require drydocking. Vessels that are 15 years old or older are required, as part of the intermediate survey process, to be drydocked every 24 to 30 months for inspection of the underwater portions of the vessel and for necessary repairs stemming from the inspection.

In addition to the classification inspections, many of our customers regularly inspect our vessels as a precondition to chartering them for voyages. We believe that our well-maintained, high-quality vessels provide us with a competitive advantage in the current environment of increasing regulation and customer emphasis on quality.

We have implemented the International Safety Management Code, which was promulgated by the International Maritime Organization, or IMO (the United Nations agency for maritime safety and the prevention of marine pollution by ships), to establish pollution prevention requirements applicable to vessels. We obtained documents of compliance for our offices and safety management certificates for all of our vessels, which are required by the IMO.

CREWING AND EMPLOYEES

Each of our vessels is crewed with 21 to 24 officers and seamen. Our technical managers are responsible for locating and retaining qualified officers for our vessels. The crewing agencies handle each seaman s training, travel and payroll, and ensure that all the seamen on our vessels have the qualifications and licenses required to comply with international regulations and shipping conventions. We typically man our vessels with more crew members than are required by the country of the vessel s flag in order to allow for the performance of routine maintenance duties.

As of March 1, 2013, we employed 35 shore-based personnel and approximately 1,400 seagoing personnel on our vessels, including Baltic Trading.

CUSTOMERS

Our assessment of a charterer s financial condition and reliability is an important factor in negotiating employment for our vessels. We generally charter our vessels to major trading houses (including commodities traders), major producers and government-owned entities rather than to more speculative or undercapitalized entities. Our customers include national, regional and international companies, such as Lauritzen Bulkers, Cargill, Pacbasin, Trafigura, Klaveness and Swissmarine. For the year ended December 31, 2012, one of our charterers, Cargill, accounted for more than 10% of our voyage revenue, or 31.3%, in the aggregate.

COMPETITION

Our business fluctuates in line with the main patterns of trade of the major drybulk cargoes and varies according to changes in the supply and demand for these items. We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location and size, age and condition of the vessel, as well as on our reputation as an owner and operator. We compete with other owners of drybulk carriers in the Capesize, Panamax, Supramax, Handymax and Handysize class sectors, some of whom may also charter our vessels as customers. Ownership of drybulk carriers is highly fragmented and is divided among approximately 1,670 independent drybulk carrier owners.

PERMITS AND AUTHORIZATIONS

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and other authorizations with respect to our vessels. The kinds of permits, licenses, certificates and other authorizations required for each vessel depend upon several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel s crew and the age of the vessel. We believe that we have all material permits, licenses, certificates and other authorizations necessary for the conduct of our operations. However, additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of our doing business.

INSURANCE

General

The operation of any drybulk vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. The U.S. Oil Pollution Act of 1990, or OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of vessels trading in the U.S.-exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the U.S. market.

While we maintain hull and machinery insurance, war risks insurance, protection and indemnity cover, and freight, demurrage and defense cover and loss of hire insurance for our fleet in amounts that we believe to be prudent to cover normal risks in our operations, we may not be able to achieve or maintain this level of coverage throughout a vessel s useful life. Furthermore, while we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Hull and Machinery, War Risks, Kidnap and Ransom Insurance

We maintain marine hull and machinery, war risks and kidnap and ransom insurance which cover the risk of actual or constructive total loss, for all of our vessels. Our vessels are each covered up to at least fair market value with deductibles, which depend primarily on the class of the insured vessel and are subject to change. We are covered, subject to limitations in our policy, to have the crew released in the case of kidnapping due to piracy in the Gulf of Aden / Somalia.

Protection and Indemnity Insurance

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, which insure our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses resulting from the injury or death of crew, passengers and other third parties, the loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or clubs. Subject to the capping discussed below, our coverage, except for pollution, is unlimited.

We maintain protection and indemnity insurance coverage for pollution of $1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world s commercial tonnage and have entered into a pooling agreement to reinsure each association s liabilities. We are a member of P&I Associations, which are members of the International Group. As a result, we are subject to calls payable to the associations based on the group s claim records as well as the claim records of all other members of the individual associations and members of the pool of P&I Associations comprising the International Group.

Loss of Hire Insurance

We maintain loss of hire insurance, which covers business interruptions and related losses that result from the loss of use of a vessel. Our loss of hire insurance has a 14-day deductible and provides claim coverage for up to 90 days.

ENVIRONMENTAL AND OTHER REGULATION

Government regulation significantly affects the ownership and operation of our vessels. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of governmental and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities, (applicable national authorities such as the U.S. Coast Guard and harbor masters), classification societies, flag state administrations (countries of registry) and charterers. Some of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Our failure to maintain necessary permits, licenses, certificates or authorizations could require us to incur substantial costs or temporarily suspend the operation of one or more of our vessels.

In recent periods, heightened levels of environmental and operational safety concerns among insurance underwriters, regulators and charterers have led to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the drybulk shipping industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations are frequently changed and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident, such as one comparable to the 2010 *Deepwater Horizon* oil spill, that results in significant oil pollution or otherwise causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

International Maritime Organization (IMO)

The United Nations International Maritime Organization (the IMO) has adopted the International Convention for the Prevention of Marine Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto (collectively referred to as MARPOL 73/78 and herein as MARPOL). MARPOL entered into force on October 2, 1983. It has been adopted by over 150 nations, including many of the jurisdictions in which our vessels operate. MARPOL is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried, in bulk, in liquid or packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997.

Air Emissions

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution. Effective May 2005, Annex VI sets limits on nitrogen oxide emissions from ships whose diesel engines were constructed (or underwent major conversions) on or after January 1, 2000. It also prohibits deliberate emissions of ozone depleting substances, defined to include certain halons and chlorofluorocarbons. Deliberate emissions are not limited to times when the ship is at sea; they can for example include discharges occuring in the course of the ships repair and maintenance. Emissions of volatile organic compounds from certain tankers, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls (PCBs)) are also prohibited. Annex VI also includes a global cap on the sulfur content of fuel oil (see below).

The IMO s Maritime Environment Protection Committee, or MEPC, adopted amendments to Annex VI on October 10, 2008, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulphur contained in any fuel oil used on board ships. As of January 1, 2012, the amended Annex VI requires that fuel oil contain no more than 3.50% sulfur (from the previous cap of 4.50%). By January 1, 2020, sulfur content must not exceed 0.50%, subject to a feasibility review to be completed no later than 2018.

Sulfur content standards are even stricter within certain Emission Control Areas (ECAs). As of July 1, 2010, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 1.0% (from 1.50%), which will be further reduced to 0.10% on January 1, 2015. Amended Annex VI establishes procedures for designating new ECAs. Currently, the Baltic Sea and the North Sea have been so designated. Effective August 1, 2012, certain coastal areas of North America were designated ECAs, as will the applicable areas of the United States Caribbean Sea, effective January 1, 2014. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S. Environmental Protection Agency (EPA) or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. All new ships are required to utilize the Energy Efficiency Design Index (EEDI) and all ships must use a Ship Energy Efficiency Management Plan (SEEMP). Our fleet is already compliant with this requirement.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The U.S. Environmental Protection Agency promulgated equivalent (and in some senses stricter) emissions standards in late

2009.

Safety Management System Requirements

The IMO also adopted the International Convention for the Safety of Life at Sea, or SOLAS and the International Convention on Load Lines, or the LL Convention, which impose a variety of standards that regulate the design and operational features of ships. The IMO periodically revises the SOLAS Convention and LL Convention standards. The Convention on Limitation of Liability for Maritime Claims (LLMC) was recently amended, and the amendments are expected to go into effect on June 8, 2015. The amendments alter the limits of liability for loss of life or personal injury and property claims against ship owners.

Under Chapter IX of SOLAS, the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or ISM Code, our operations are also subject to environmental standards and requirements. The ISM Code requires the owner of a vessel, or any person who has taken responsibility for operation of a vessel, to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical manager have developed for compliance with the ISM Code. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators also obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel s management with code requirements for a safety management system. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. We believe that we have all material requisite documents of compliance for our offices and safety management certificates for all of our vessels for which such certificates are required by the IMO. We renew these documents of compliance and safety management certificates as required.

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the nations signatory to such conventions. For example, IMO adopted an International Convention for the Control and Management of Ships Ballast Water and Sediments, or the BWM Convention, in February 2004. The BWM Convention s implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not become effective until 12 months after it has been adopted by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world s merchant shipping. To date, there has not been sufficient adoption of this standard for it to take force. However, Panama may adopt this standard in the relatively near future, which would be sufficient for it to take force. Upon entry into force of the BWM Convention, mid-ocean ballast exchange would be mandatory for our vessels, and our vessels would be required to be equipped with ballast water treatment systems that meet mandatory concentration limits, in each case not later than the first intermediate or renewal survey, whichever occurs first, after the anniversary date of delivery of the vessel in 2016. If mid-ocean ballast exchange is made mandatory, or if ballast water treatment requirements or options are instituted, the cost of compliance could increase for ocean carriers, and the costs of ballast water treatment may be material.

The IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, to impose strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship s bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

Noncompliance with the ISM Code or other IMO regulations may subject the vessel owner or bareboat charterer to increased liability, lead to decreases in available insurance coverage for affected vessels or result in the denial of access to, or detention in, some ports. The U.S. Coast Guard and European Union authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificates will be maintained in the future.

Anti-Fouling Requirements

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships, or the Anti-fouling Convention. The Anti-fouling Convention prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels after September 1, 2003. The exteriors of vessels constructed prior to January 1, 2003 that have not been in drydock must, as of September 17, 2008, either not contain the prohibited compounds or have coatings applied to the vessel exterior that act as a barrier to the leaching of the prohibited compounds. Vessels of over 400 gross tons engaged in international voyages must obtain an International Anti-fouling System Certificate and undergo a survey before the vessel is put into service or when the anti-fouling systems are altered or replaced. We have obtained Anti-fouling System Certificates for all of our vessels that are subject to the Anti-fouling Convention.

The IMO continues to review and introduce new regulations. For example, in July 2011, MARPOL adopted amendments for the prevention of air pollution, which designate certain waters near the coasts of Puerto Rico and the U.S. Virgin Islands ECAs for emissions of nitrogen oxides, sulphur oxides, and particulate matter. The new ECA designation will enter into force on January 1, 2014. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

The U.S. Oil Pollution Act of 1990 and Comprehensive Environmental Response, Compensation and Liability Act

The U.S. Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S. territorial sea and its 200 nautical mile exclusive economic zone. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, which applies to the discharge of hazardous substances other than oil, whether on land or at sea. OPA and CERCLA both define owner or operator in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Accordingly, both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are responsible parties and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. OPA defines these other damages broadly to include:

- injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- injury to, or economic losses resulting from, the destruction of real and personal property;
- net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- loss of subsistence use of natural resources that are injured, destroyed or lost;
- lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective July 31, 2009, the U.S. Coast Guard adjusted the limits of OPA liability for non-tank vessels to the greater of $1,000 per gross ton or $854,400 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party s gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsibility party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damage for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of $300 per gross ton or $5 million for vessels carrying a hazardous substance as cargo and the greater of $300 per gross ton or $500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We plan to comply with the U.S. Coast Guard s financial responsibility regulations by providing a certificate of responsibility evidencing sufficient self-insurance.

The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico may also result in additional regulatory initiatives or statutes, including the raising of liability caps under OPA. For example, on August 15, 2012, the U.S. Bureau of Safety and Environmental Enforcement (BSEE) implemented a final drilling safety rule for offshore oil and gas operations that strengthens the requirements for safety equipment, well control systems, and blowout prevention practices. Compliance with any new requirements of OPA may substantially impact our cost of operations or require us to incur additional expenses to comply with any new regulatory initiatives or statutes. Additional legislation or regulations applicable to the operation of our vessels that may be implemented in the future could adversely affect our business.

While we do not carry oil as cargo, we do carry bunkers in our drybulk carriers. We currently maintain pollution liability coverage insurance in the amount of $1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have a material adverse effect on our business, financial condition, results of operations, cash flows and ability to pay dividends.

Other United States Environmental Regulations

The U.S. Clean Water Act, or CWA, prohibits the discharge of oil or hazardous substances in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. In addition, many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law.

The EPA regulates the discharge of ballast water and other substances in U.S. waters under the CWA. EPA regulations require vessels 79 feet in length or longer (other than commercial fishing and recreational vessels) to comply with a Vessel General Permit authorizing ballast water discharges and other discharges incidental to the operation of vessels. The Vessel General Permit imposes technology and water-quality based effluent limits for certain types of discharges and establishes specific inspection, monitoring, recordkeeping and reporting requirements to ensure the effluent limits are met. The EPA has proposed a draft 2013 Vessel General Permit to replace the current Vessel General Permit upon its expiration on December 19, 2013, authorizing discharges incidental to operations of commercial vessels. The draft permit also contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants. U.S. Coast Guard regulations adopted under the U.S. National Invasive Species Act, or NISA, also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters. As of June 21, 2012, the Coast Guard implemented revised regulations on ballast water management standards by establishing standards on the allowable concentration of living organisms in ballast water discharged from ships in U.S. waters. The revised ballast water standards are consistent with those adopted by the IMO in 2004. Compliance with the EPA and the U.S. Coast Guard regulations could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters.

European Union Regulations

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. Member States were required to enact laws or regulations to comply with the directive by the end of 2010. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger.

Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions. However, in July 2011 the MEPC adopted two new sets of mandatory requirements to address greenhouse gas emissions from ships that entered into force in January 2013. Currently operating ships will be required to develop Ship Energy Efficiency Management Plans, and minimum energy efficiency levels per capacity mile will apply to new ships. These requirements could cause us to incur additional compliance costs. The IMO is also planning to implement market-based mechanisms to reduce greenhouse gas emissions from ships at an upcoming MEPC session. The European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from marine vessels, and in January 2012 the European

Commission launched a public consultation on possible measures to reduce greenhouse gas emissions from ships. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions regulations do not apply to greenhouse gas emissions from vessels, such regulation of vessels is foreseeable, and the EPA has in recent years received petitions from the California Attorney General and various environmental groups seeking such regulation. Any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time.

International Labour Organization

The International Labour Organization (ILO) is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006 (MLC 2006). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance will be required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 will enter into force one year after 30 countries with a minimum of 33% of the world s tonnage have ratified itOn

August 20, 2012, the required number of countries was met and MLC 2006 is expected to enter into force on August 20, 2013. The ratification of MLC 2006 will require us to develop new procedures to ensure full compliance with its requirements.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the U.S. Maritime Transportation Security Act of 2002, or the MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. The regulations also impose requirements on certain ports and facilities, some of which are regulated by the EPA.

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter V became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the International Ship and Port Facilities Security Code, or the ISPS Code. The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate, or ISSC, from a recognized security organization approved by the vessel s flag state. Among the various requirements are:

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship s identity, position, course, speed and navigational status;
- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
- the development of vessel security plans;
- ship identification number to be permanently marked on a vessel s hull;
- a continuous synopsis record kept onboard showing a vessel s history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship s identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
- compliance with flag state security certification requirements.

A ship operating without a valid certificate may be detained at port until it obtains an ISSC, or may be expelled from port or refused entry at port.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt from MTSA vessel security measures non-U.S. vessels that have on board, as of July 1, 2004, a valid ISSC attesting to the vessel s compliance with SOLAS security requirements and the ISPS Code. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code.

Inspection by Classification Societies

Every oceangoing vessel must be classed by a classification society. The classification society certifies that the vessel is in class, signifying tha the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel s country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class certification, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classes are required to be performed as follows:

- *Annual Surveys*: For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable for special equipment classed, within three months before or after each anniversary date of the date of commencement of the class period indicated in the certificate.

- *Intermediate Surveys*: Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys are to be carried out at or between the occasion of the second or third annual survey.

- *Class Renewal Surveys*: Class renewal surveys, also known as special surveys, are carried out for the ship s hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of money may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a vessel owner has the option of arranging with the classification society for the vessel s hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. Upon a vessel owner s request, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years.

Most vessels are also drydocked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a recommendation which must be rectified by the vessel owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as in class by a classification society which is a member of the International Association of Classification Societies (IACS). IACS issued draft harmonized Common Structural Rules, which align with the IMO goal standards, for industry reviews in 2012, and it expects them to be adopted in winter 2013. All of our vessels have been certified as being in class by ABS, DNV or Lloyd s. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard agreements.

SEASONALITY

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, charter rates. We seek to mitigate the risk of these seasonal variations by entering into long-term time charters for our vessels, where possible. However, this seasonality may result in quarter-to-quarter volatility in our operating results, depending on when we enter into our time charters or if our vessels trade on the spot market. The drybulk sector is typically stronger in the fall and winter months in anticipation of increased consumption of coal and raw materials in the northern hemisphere during the winter months. As a result, our revenues could be weaker during the fiscal quarters ended June 30 and September 30, and conversely, our revenues could be stronger during the quarters ended December 31 and March 31.

ITEM 1A. RISK FACTORS

ADDITIONAL FACTORS THAT MAY AFFECT FUTURE RESULTS

This annual report on Form 10-K contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements use words such as anticipate, budget, estimate, expect, project, intend, believe, and other words and terms of similar meaning in connection with a discussion of potential future events, circumstances or future operating or financial performance. These forward-looking statements are based on our management s current expectations and observations. Included among the factors that, in our view, could cause actual results to differ materially from the forward looking statements contained in this annual report on Form 10-K are the following: (i) declines in demand or rates in the drybulk shipping industry; (ii) prolonged weakness in drybulk shipping rates; (iii) changes in the supply of or demand for drybulk products, generally or in particular regions; (iv) changes in the supply of drybulk carriers including newbuilding of vessels or lower than anticipated scrapping of older vessels; (v) changes in rules and regulations applicable to the cargo industry, including, without limitation, legislation adopted by international organizations or by individual countries and actions taken by regulatory authorities; (vi) increases in costs and expenses including but not limited to: crew wages, insurance, provisions, lube oil, bunkers, repairs, maintenance and general, administrative and management fee expenses; (vii) whether our insurance arrangements are adequate; (viii) changes in general domestic and international political conditions; (ix) acts of war, terrorism, or piracy; (x) changes in the condition of our vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated drydocking or maintenance and repair costs) and unanticipated drydock expenditures; (xi) our acquisition or disposition of vessels (xii) the number of off-hire days needed to complete repairs on vessels and the timing and amount of any reimbursement by our insurance carriers for insurance claims including off-hire days; (xiii) the completion of definitive documentation with respect to time charters; (xiv) charterers compliance with the terms of their charters in the current market environment; (xv) those other risks and uncertainties discussed below under the heading RISK FACTORS RELATED TO OUR BUSINESS & OPERATIONS , and (xvi) other factors listed from time to time in our filings with the Securities and Exchange

Commission (the SEC). We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following risk factors and other information included in this report should be carefully considered. If any of the following risks actually occur, our business, financial condition, operating results or cash flows could be materially and adversely affected and the trading price of our common stock could decline.

RISK FACTORS RELATED TO OUR BUSINESS AND OPERATIONS

Industry Specific Risk Factors

The current global economic downturn may continue to negatively impact our business.

In the current global economy, operating businesses have been facing tight credit, weak demand for goods and services, deteriorating international liquidity conditions, and depressed markets. Lower demand for drybulk cargoes as well as diminished trade credit available for the delivery of such cargoes have led to decreased demand for drybulk vessels, creating downward pressure on charter rates. General market volatility has endured as a result of uncertainty about sovereign debt and fears of countries such as Greece, Portugal and Spain defaulting on their governments financial obligations and speculation about the growth rate of the Chinese economy. If the current global economic environment persists or worsens, we may be negatively affected in the following ways:

- We may not be able to employ our vessels at charter rates as favorable to us as historical rates or operate our vessels profitably.

- Our earnings and cash flows could remain at depressed levels or decline, which may leave us with insufficient cash resources to make required amortization payments under our credit facilities or cause us to breach one or more of the covenants in our credit facilities, thereby potentially accelerating the repayment of outstanding facility borrowings and our outstanding convertible notes. Please refer to Our payment obligations and restrictive covenants under our credit facilities may be difficult to satisfy in the current market environment below for further details.

- The market values of our vessels have decreased, which may cause us to recognize losses if any of our vessels are sold or if their values are impaired. A further decline in the market value of our vessels could trigger defaults under our credit facilities covenants. In particular, all of our credit facilities contain collateral maintenance covenants, although we obtained a waiver of this covenant in our 2007 Credit Facility in 2009. Please refer to The market values of our vessels may decrease, which could adversely affect our operating results or cause us to breach one or more of the covenants in our credit facilities below for further details.

- Our charterers may fail to meet their obligations under our time charter agreements.

- The value of our investment in Jinhui could further decline, and we may recognize additional impairment losses if we were to sell our shares or if the value of our investment is impaired.

The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Charterhire rates for drybulk carriers are volatile and are currently at historically low levels and may further decrease in the future, which may adversely affect our earnings.

The prolonged downturn in the drybulk charter market, from which we derive the large majority of our revenues, has severely affected the drybulk shipping industry. The Baltic Dry Index (BDI), an index published by The Baltic Exchange of shipping rates for 26 key drybulk routes, showed relative weakness in 2012 and recorded an average level of 920, compared to a ten-year average level of 3,504. The BDI decreased to a historic low in February 2012. While the BDI has since increased, there can be no assurance that the drybulk charter market will increase further, and the market could decline.

The year to date in 2013 has exhibited seasonal issues like those of the corresponding period in 2012, with seasonal factors contributing to the most recent downturn in rates, including: order timing issues for iron ore cargoes related to the celebration of the Chinese New Year; temporary disruptions of cargo availability due to strikes in Columbian coal mines; increased deliveries of newbuilding vessels for the month of January as compared to the previous three months; and short-term weather-related issues, temporarily reducing iron ore output. In addition to these factors, there have been a number of adverse consequences for drybulk shipping, including, among other things:

- a significant reduction in available financing for vessels;

- a less active second-hand market for the sale of vessels;

- extremely low charter rates, particularly for vessels employed in the spot market;
- widespread loan covenant defaults in the drybulk shipping industry; and
- declaration of bankruptcy by some operators and shipowners as well as charterers.

Approximately 85% of our vessels, excluding Baltic Trading, are currently traded at spot market rates through spot market-related time charters or a vessel pool. For these vessels, we are exposed to changes in spot market. For the remaining vessels that are on fixed-rate time charters, we are exposed to changes in spot market rates for drybulk carriers at the time of entering into charterhire contracts and such changes may affect our earnings and the value of our drybulk carriers at any given time. We cannot assure you that we will be able to successfully charter our vessels in the future or renew existing charters at rates sufficient to allow us to meet our obligations or to pay dividends to our shareholders. The supply of and demand for shipping capacity strongly influences freight rates. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include:

- demand for and production of drybulk products;
- global and regional economic and political conditions, including developments in international trade, fluctuations in industrial and agricultural production and armed conflicts;
- the distance drybulk cargo is to be moved by sea;
- environmental and other regulatory developments; and
- changes in seaborne and other transportation patterns.

The factors that influence the supply of vessel capacity include:

- the number of newbuilding deliveries;

- port and canal congestion;
- the scrapping rate of older vessels;
- vessel casualties; and
- the number of vessels that are out of service, i.e., laid-up, drydocked, awaiting repairs or otherwise not available for hire.

In addition to the prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance and insurance coverage, the efficiency and age profile of the existing fleet in the market and government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions.

We anticipate that the future demand for our drybulk carriers will be dependent upon economic growth in the world s economies, particularly China and India, seasonal and regional changes in demand, changes in the capacity of the global drybulk carrier fleet and the sources and supply of drybulk cargo to be transported by sea. Adverse economic, political, social or other developments, including a change in worldwide fleet capacity, could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

The current oversupply of drybulk carrier capacity may lead to further reductions in charterhire rates and profitability.

The market supply of drybulk carriers has been increasing as a result of the delivery of numerous newbuilding orders over the last few years. Newbuildings have been delivered in significant numbers since the beginning of 2006. The oversupply of drybulk carrier capacity has resulted in a reduction of charterhire rates, as evidenced by the low rates we experienced in 2012. Currently, some of our spot market-related time charterers are at times unprofitable due the volatility associated with dry cargo freight rates. If market conditions persist, upon the expiration or termination of our vessels current non-spot charters, we may only be able to re-charter our vessels at reduced or unprofitable rates, or we may not be able to charter these vessels at all. The occurrence of these events could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

The market values of our vessels may decrease, which could adversely affect our operating results or cause us to breach one or more of the covenants in our credit facilities.

If the book value of one of our vessels is impaired due to unfavorable market conditions or a vessel is sold at a price below its book value, we would incur a loss that could adversely affect our financial results. Also, if the market value of our fleet declines, we may not be in compliance with certain provisions of our credit facilities, and we may not be able to refinance our debt or obtain additional financing under our credit facilities or otherwise. In January 2009, we obtained a waiver of the collateral maintenance requirement under our 2007 Credit Facility, subject to certain conditions as mentioned above. This requirement was waived pursuant to an amendment entered into on January 26, 2009 (the 2009 Amendment) effective for the year ended December 31, 2008 and until we can represent that we are in compliance with all of our financial covenants and are otherwise able to pay a dividend and purchase or redeem shares of common stock under the terms of the 2007 Credit Facility in effect before the 2009 Amendment. With the exception of the collateral maintenance financial covenant and the net debt to EBITDA covenant, compliance with which was waived by the lenders through December 31, 2013 under the August 2012 Agreements (defined below), we believe that we are in compliance with our covenants under the 2007 Credit Facility. Without a waiver of the kind provided in the 2009 Amendment, a decrease in the fair market value of our vessels may cause us to breach one or more of the covenants in our 2007 Credit Facility, which could accelerate the repayment of outstanding borrowings under the facility. We are also subject to collateral maintenance covenants in the $100 Million Term Loan Facility, $253 Million Term Loan Facility, and the 2010 Baltic Trading Credit Facility. A decrease in the fair market value of our vessels may cause us to breach one or more of the covenants in the $100 Million Term Loan Facility, the $253 Million Term Loan Facility, or the 2010 Baltic Trading Credit Facility, which could accelerate the repayment of outstanding borrowings under our facilities. We cannot assure you that we will satisfy all our debt covenants in the future or that our lenders will waive any future failure to satisfy these covenants. The occurrence of these events could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Prolonged declines in charter rates and other market deterioration could cause us to incur impairment charges.

We evaluate the carrying amounts of our vessels to determine if events have occurred that would require us to evaluate our vessels for an impairment of their carrying amounts. The recoverable amount of vessels is reviewed based on events and changes in circumstances that would indicate that the carrying amount of the assets might not be recovered. The review for potential impairment indicators and projection of future cash flows related to the vessels is complex and requires us to make various estimates including future freight rates and earnings from the vessels. All of these items have been historically volatile.

We evaluate the recoverable amount as the higher of fair value and value in use on an undiscounted cash basis. If the recoverable amount is less than the carrying amount of the vessel, the vessel is deemed impaired and such vessel would be written down to its fair value. The carrying values of our vessels may not represent their fair market value in the future because the new market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Any impairment charges incurred as a result of declines in charter rates could have a material adverse effect on our business, results of operations, cash flows and financial condition.

A further economic slowdown or changes in the economic and political environment in the Asia Pacific region could have a material adverse effect on our business, financial position and results of operations.

A significant number of the port calls made by our vessels involve the loading or discharging of raw materials and semi-finished products in ports in the Asia Pacific region. As a result, a negative change in economic conditions in any Asia Pacific country, and particularly in China or Japan, could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends. In particular, in recent years, China has been one of the world s fastest growing economies in terms of gross domestic product. China s gross domestic product grew by 7.8% in 2012 as compared to a 9.2% growth rate in 2011. We cannot assure you that the Chinese economy will not experience a significant contraction in the future. Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through state plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a market economy and enterprise reform. Limited price reforms were undertaken with the result that prices for certain commodities are principally determined by market forces. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. If the Chinese government does not continue to pursue a policy of economic reform, the level of imports to and exports from China could be adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions. Notwithstanding economic reform, the Chinese government may adopt policies that favor domestic drybulk shipping companies and may hinder our ability to compete with them effectively. Moreover, a significant or protracted slowdown in the economies of the United States, the European Union or various Asian countries may adversely affect economic growth in China and elsewhere. Our business, results of operations, cash flows, financial condition and ability to pay dividends will likely be materially and adversely affected by an economic downturn in any of these countries.

We are subject to regulation and liability under environmental and operational safety laws that could require significant expenditures and affect our cash flows and net income and could subject us to increased liability under applicable law or regulation.

Our business and the operation of our vessels are materially affected by government regulation in the form of international conventions and national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the countries of their registration. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with them or their impact on the resale prices or useful lives of our vessels. Additional conventions, laws and regulations may be adopted that could limit our ability to do business or increase the cost of our doing business and that may materially adversely affect our business, results of operations, cash flows, financial condition and ability to pay dividends. See Overview Environmental and Other Regulation in Item 1, Business of this report for a discussion of such conventions, laws, and regulations. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and financial assurances with respect to our operations.

The operation of our vessels is affected by the requirements set forth in the United Nations International Maritime Organization s International Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM Code. The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive Safety Management System that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, to impose strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention, which became effective on November 21, 2008, requires registered owners of ships over 1,000 gross tons to maintain insurance or other financial security for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship s bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

OPA established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in U.S. waters. OPA allows for liability without regard to fault of vessel owners, operators and demise charterers for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers, in U.S. waters. Such liability is potentially unlimited in cases of willful misconduct or gross negligence. OPA also expressly permits individual states to impose their own liability regimes with regard to hazardous materials and oil pollution materials occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA.

Increased inspection procedures and tighter import and export controls could increase costs and disrupt our business.

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination. Inspection procedures can result in the seizure of the contents of our vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us.

It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We operate our vessels worldwide and as a result, our vessels are exposed to international risks which could reduce revenue or increase expenses.

The international shipping industry is an inherently risky business involving global operations. Our vessels will be at risk of damage or loss because of events such as mechanical failure, collision, human error, war, terrorism, piracy, cargo loss and bad weather. All these hazards can result in death or injury to persons, increased costs, loss of revenues, loss or damage to property (including cargo), environmental damage, higher insurance rates, damage to our customer relationships, harm to our reputation as a safe and reliable operator and delay or rerouting. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. Our vessels may operate in particularly dangerous areas, including areas of the Indian Ocean, the Gulf of Aden, the South China Sea and the Red Sea. These sorts of events could interfere with shipping routes and result in market disruptions which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Our vessels may suffer damage, and we may face unexpected dry docking costs, which could adversely affect our cash flow and financial condition.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. We may have to pay drydocking costs that our insurance does not cover in full. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or we may be forced to travel to a drydocking facility that is distant from the relevant vessel s position. The loss of earnings while our vessels are being repaired and repositioned or from being forced to wait for space or to travel to more distant drydocking facilities, as well as the actual cost of repairs, could negatively impact our business, results of operations, cash flows, financial condition and ability to pay dividends.

The operation of drybulk carriers has certain unique operational risks which could affect our earnings and cash flow.

The operation of certain ship types, such as drybulk carriers, has certain unique risks. With a drybulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, drybulk cargoes are often heavy, dense, easily shifted, and react badly to water exposure. In addition, drybulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach to the sea. Hull breaches in drybulk carriers may lead to the flooding of the vessels holds. If a drybulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel s bulkheads, leading to the loss of a vessel. If we are unable to adequately maintain our vessels, we may be unable to prevent these events. Any of these circumstances or events may have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

Acts of piracy on ocean-going vessels have continued and could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean , the Gulf of Aden and the Red Sea. Since 2008, the frequency of piracy incidents increased significantly, particularly in the Gulf of Aden off the coast of Somalia. If these piracy attacks result in regions in which our vessels are deployed being characterized by insurers as war risk zones, or Joint War Committee (JWC) war and strikes listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred to the extent we employ onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows, financial condition and ability to pay dividends.

In response to piracy incidents, particularly in the Gulf of Aden off the coast of Somalia, following consultation with regulatory authorities, we may station guards on some of our vessels in some instances. While our use of guards is intended to deter and prevent the hijacking of our vessels, it may also increase our risk of liability for death or injury to persons or damage to personal property. If we do not have adequate insurance in place to cover such liability, it could adversely impact our business, results of operations, cash flows, and financial condition.

Terrorist attacks and other acts of violence or war may have an adverse effect on our business, results of operations and financial condition.

Terrorist attacks such as those in New York on September 11, 2001, in London on July 7, 2005, and in Mumbai on November 26, 2008, as well as the threat of future terrorist attacks around the world, continue to cause uncertainty in the world s financial markets and may affect our business, operating results and financial condition. Continuing conflicts and recent developments in the Middle East, including Egypt, and North Africa, and the presence of U.S. and other armed forces in the Middle East, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Any of these occurrences could have a material adverse impact on our business, results of operation, and financial condition.

Compliance with safety and other vessel requirements imposed by classification societies may be costly and could reduce our net cash flows and net income.

The hull and machinery of every commercial vessel must be certified as being in class by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention. Our vessels are currently enrolled with the ABS, DNV, or Lloyd s, each of which is a member of the International Association of Classification Societies.

Further, to trade internationally, a vessel must attain an International Ship Security Certificate, or ISSC, from a recognized security organization.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel s machinery may be placed on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Our vessels are on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be drydocked every two to three years for inspection of its underwater parts.

If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable and we could be in violation of certain covenants in our credit facilities, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, UK Bribery Act, and other applicable worldwide anti-corruption laws.

The U.S. Foreign Corrupt Practices Act (FCPA) and other applicable worldwide anti-corruption laws generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. These laws include the recently enacted U.K. Bribery Act, which became effective on July 1, 2011 and which is broader in scope than the FCPA, as it contains no facilitating payments exception. We charter our vessels into some jurisdictions that international corruption monitoring groups have identified as having high levels of corruption. Our activities create the risk of unauthorized payments or offers of payments by one of our employees or agents that could be in violation of the FCPA or other applicable anti-corruption laws. Our policies mandate compliance with applicable anti-corruption laws. Although we have policies, procedures and internal controls in place to monitor internal and external compliance, we cannot assure that our policies and procedures will protect us from governmental investigations or inquiries surrounding actions of our employees or agents. If we are found to be liable for violations of the FCPA or other applicable anti-corruption laws (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we could suffer from civil and criminal penalties or other sanctions.

We may be unable to attract and retain qualified, skilled employees or crew necessary to operate our business.

Our success depends in large part on our ability to attract and retain highly skilled and qualified personnel. In crewing our vessels, we require technically skilled employees with specialized training who can perform physically demanding work. Competition to attract and retain qualified crew members is intense. If we are not able to increase our rates to compensate for any crew cost increases, it could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends. Any inability we experience in the future to hire, train and retain a sufficient number of qualified employees could impair our ability to manage, maintain and grow our business, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Labor interruptions could disrupt our business.

Our vessels are manned by masters, officers and crews that are employed by third parties. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest could prevent or hinder our operations from being carried out normally and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

We expect that our vessels will call in ports in South America and other areas where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims which could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Arrests of our vessels by maritime claimants could cause a significant loss of earnings for the related off-hire period.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could result in a significant loss of earnings for the related off-hire period. In addition, in jurisdictions where the sister ship theory of liability applies, a claimant may arrest the vessel which is subject to the claimant s maritime lien and any associated vessel, which is any vessel owned or controlled by the same owner. In countries with sister ship liability laws, claims might be asserted against us or any of our vessels for liabilities of other vessels that we own.

Governments could requisition our vessels during a period of war or emergency, resulting in loss of earnings.

A government of a vessel s registry could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. A government could also requisition our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Increases in fuel prices could adversely affect our profits.

From time to time, we may operate our vessels on spot charters either directly or by placing them in pools with similar vessels. Spot charter arrangements generally provide that the vessel owner or pool operator bear the cost of fuel in the form of bunkers, which is a significant vessel operating expense. We currently have five vessels operating in vessel pools, and we may arrange for more vessels to do so, depending on market conditions. Also, the cost of fuel may also be a factor in negotiating charter rates in the future. As a result, an increase in the price of fuel beyond our expectations may adversely affect our profitability, cash flows and ability to pay dividends. The price and supply of fuel is unpredictable and fluctuates as a result of events outside our control, including geo-political developments, supply and demand for oil and gas, actions by members of the Organization of the Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations.

Our results of operations are subject to seasonal fluctuations, which may adversely affect our financial condition.

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, charter rates. This seasonality may result in quarter-to-quarter volatility in our operating results, depending on when we enter into our time charters or if our vessels trade on the spot market. The drybulk sector is typically stronger in the fall and winter months in anticipation of increased consumption of coal and raw materials in the northern hemisphere during the winter months. As a result, our revenues could be weaker during the fiscal quarters ended June 30 and September 30, and conversely, our revenue could be stronger during the quarters ended December 31 and March 31. This seasonality could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Company Specific Risk Factors

Our payment obligations and restrictive covenants under our credit facilities may be difficult to satisfy in the current market environment.

Given the current drybulk rate environment, we anticipate that we may be unable to make required payments under our credit facilities commencing March 31, 2014. Moreover, if the current prolonged weakness in drybulk shipping rates does not abate, we may not be in compliance with the maximum leverage ratio and minimum permitted consolidated interest ratio covenants under our credit facilities once current waivers expire after December 31, 2013. We also may not be in compliance with our minimum cash covenants at or after March 31, 2014, or earlier in the event of sustained weakness in the drybulk shipping sector.

Under the terms of amendments to our 2007 Credit Facility, our $253 Million Term Loan Facility, and our $100 Million Term Loan Facility entered into in August 2012 (the August 2012 Agreements), our next scheduled amortization payments are due in the first quarter of 2014 in the aggregate principal amount of $55.2 million. Given our current cash reserves and current drybulk shipping rates, we believe we may be unable to meet our scheduled amortization payments as early as March 31, 2014.

In addition to our payment obligations, our credit facilities subject us to a number of restrictive covenants, including covenants governing our ratio of net debt to EBITDA, the minimum amount of cash and cash equivalents we maintain, our ratio of EBITDA to interest expense, and our consolidated net worth. Compliance with the covenants governing our ratios of net debt to EBITDA and EBITDA to interest expense are currently waived through December 31, 2013, but we may not be in compliance with these covenants when these waivers expire. Our minimum cash covenants require us to maintain a minimum cash balance of $39.8 million as measured at each quarter end, excluding amounts held by Baltic Trading Limited. These covenants have not been waived, and it is possible that we may not be in compliance with these covenants at or after March 31, 2014, or earlier in the event of sustained weakness in the drybulk shipping sector.

We may seek further waivers or modifications to our credit agreements, which may be unavailable or subject to conditions. We may also seek to refinance our indebtedness or raise additional capital through equity or debt offerings or selling assets (including vessels). We cannot be certain that we will accomplish any such actions. Absent such waivers or modifications, if we do not comply with our payment obligations or these covenants and fail to cure our non-compliance following applicable notice and expiration of applicable cure periods, we may be in default of one or more of our credit facilities. If such a default occurs, we may also be in default under the Indenture for our 2010 Notes. As a result, some or all of our indebtedness could be declared immediately due and payable, we may not be able to borrow further under our credit facilities and we may have to seek alternative sources of financing on terms that may not be favorable to us. If we are unable to service or refinance our current or future indebtedness, we may have to take actions such as reducing or delaying acquisitions or capital expenditures, selling assets, seeking additional debt or equity capital, or pursuing other restructuring options. As a result, we may experience a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, notwithstanding the waiver of certain covenants described above, for purposes of our financial statements in each future fiscal quarter, we must test our compliance with the original covenants at all quarterly measurement dates within a year before March 31, 2014 in accordance with GAAP. Under our credit facilities, March 31, 2014 is the first date following expiration of our waivers on which our compliance with the original covenants will be measured. If we would not have been in compliance with the original covenants absent the waivers received and it is probable we would not be in compliance at measurement dates within such year, our indebtedness under the relevant facility would be required to be reclassified as a current liability in such quarter. Any such reclassification would not affect our existing waivers, although there can be no assurance that we could obtain further waivers upon their expiration.

Our earnings will be adversely affected if we do not successfully employ our vessels.

As of March 1, 2013, approximately 85% of our vessels were in arrangements in which they were trading at spot market rates through spot market-related time charters or a vessel pool. Forty of our vessels, excluding Baltic Trading s vessels, were engaged under spot market-related time charter contracts that expire (assuming the option periods in the time charters are not exercised) between March 2013 and May 2015, and five of our vessels were trading in the spot charter market through participation in pool arrangements. The remaining eight of the vessels in our fleet were engaged under time charters at fixed rates. The drybulk market is volatile, and in the past charterhire rates for drybulk carriers have sometimes declined below operating costs of vessels. Because we currently charter most of our vessels on spot market-related time charters, we are exposed to the cyclicality and volatility of the spot charter market, and we do not have significant long-term, fixed-rate time charters to ameliorate the adverse effects of downturns in the spot market. Capesize vessels, which we operate as part of our fleet, have been particularly susceptible to volatility in spot charter rates.

To the extent our vessels trade in the spot charter market, we may experience fluctuations in revenue, cash flow and net income. The spot charter market is highly competitive, and spot market voyage charter rates may fluctuate dramatically based primarily on the worldwide supply of drybulk vessels available in the market and the worldwide demand for the transportation of drybulk cargoes. We can provide no assurance that future charterhire rates will enable us to operate our vessels profitably. In addition, our standard time charter contracts with our customers specify certain performance parameters, which if not met can result in customer claims. Such claims may have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We have incurred significant indebtedness, which could affect our ability to finance our operations, pursue desirable business opportunities and successfully run our business in the future, and therefore make it more difficult for us to fulfill our obligations under our indebtedness.

As of December 31, 2012, we had approximately $1.6 billion of indebtedness outstanding and shareholders equity of approximately $1.3 billion. This substantial indebtedness and related interest expense could have important consequences to our company, including:

- limiting our ability to use a substantial portion of our cash flow from operations in other areas of our business, including for working capital, capital expenditures and other general business activities, because we must dedicate a substantial portion of these funds to service our debt;

- requiring us to seek to incur further indebtedness in order to make the capital expenditures and other expenses or investments planned by us to the extent our future cash flows are insufficient;

- limiting our ability to obtain additional financing in the future for working capital, capital expenditures, debt service requirements, acquisitions and the execution of our growth strategy, and other expenses or investments planned by us;

- limiting our flexibility and our ability to capitalize on business opportunities and to react to competitive pressures and adverse changes in government regulation, our business and our industry;

- making it more difficult to satisfy our obligations under our indebtedness (which could result in an event of default if we fail to comply with the requirements of our indebtedness);

- increasing our vulnerability to a downturn in our business and to adverse economic and industry conditions generally;

- placing us at a competitive disadvantage as compared to our competitors that are less leveraged;

- limiting our ability, or increasing the costs, to refinance indebtedness; and

- limiting our ability to enter into hedging transactions by reducing the number of counterparties with whom we can enter into such transactions as well as the volume of those transactions.

Our ability to secure additional financing, if needed, may be substantially restricted by the existing level of our indebtedness and the restrictions contained in our credit facilities. The occurrence of any one of the events described above could have a material adverse effect on our business, financial condition, results of operations, prospects, and ability to satisfy our obligations under our indebtedness.

Restrictive covenants under our credit facilities may restrict our growth and operations.

Our credit facilities impose operating and financial restrictions that may limit our ability to:

- incur additional indebtedness on satisfactory terms or at all;
- incur liens on our assets;
- sell our vessels or the capital stock of our subsidiaries;
- make investments;
- engage in mergers or acquisitions;
- pay dividends (following an event of default or our breach of a covenant) in the event we are able to resume dividend payments under the waiver of our collateral maintenance covenant which is currently in effect);
- make capital expenditures;
- compete effectively to the extent our competitors are subject to less onerous financial restrictions; and

- change the management of our vessels or terminate or materially amend the management agreement relating to any of our vessels.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders interests may be different from ours, and we cannot guarantee that we will be able to obtain our lenders permission when needed. This may prevent us from taking actions that are in our best interest and from executing our business strategy of growth through acquisitions and may restrict or limit our ability to pay dividends and finance our future operations.

We depend upon ten charterers for a large part of our revenues. The loss of one or more of these charterers could adversely affect our financial performance.

We have derived a significant part of our revenues from a small number of charterers. For the year ended December 31, 2012, approximately 77% of our revenues were derived from 10 charterers, including charterers of Baltic Trading s vessels. Of that amount, approximately 31% of our revenues was derived from one charterer, Cargill. If we were to lose any of these charterers, or if any of these charterers significantly reduced its use of our services or was unable to make charter payments to us, it could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

The aging of our fleet and our practice of purchasing and operating previously owned vessels may result in increased operating costs and vessels off-hire, which could adversely affect our earnings.

The majority of our drybulk carriers were previously owned by third parties. We may seek additional growth through the acquisition of previously owned vessels. While we typically inspect previously owned vessels before purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Accordingly, we may not discover defects or other problems with such vessels before purchase. Any such hidden defects or problems, when detected, may be expensive to repair, and if not detected, may result in accidents or other incidents for which we may become liable to third parties. Also, when purchasing previously owned vessels, we do not receive the benefit of any builder warranties if the vessels we buy are older than one year.

In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. The average age of the vessels in our current fleet, excluding Baltic Trading vessels, is approximately 7.8 years. Older vessels are typically less fuel-efficient than more recently constructed vessels due to improvements in engine technology and cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

Governmental regulations, safety and other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment to some of our vessels and may restrict the type of activities in which these vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. As a result, regulations and standards could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

An increase in operating costs could adversely affect our cash flow and financial condition.

Our vessel operating expenses include the costs of crewing and insurance, which we expect to increase in 2013 compared to 2012. In addition, to the extent we enter the spot charter market, we need to include the cost of bunkers as part of our voyage expenses. The price of bunker fuel may increase in the future. If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. Increases in any of these costs could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We depend to a significant degree upon third-party managers to provide the technical management of our fleet. Any failure of these technical managers to perform their obligations to us could adversely affect our business.

We have contracted the technical management of our fleet, including crewing, maintenance and repair services, to third-party technical management companies. The failure of these technical managers to perform their obligations could materially and adversely affect our business, results of operations, cash flows, financial condition and ability to pay dividends.

In the highly competitive international drybulk shipping industry, we may not be able to compete for charters with new entrants or established companies with greater resources.

We employ our vessels in a highly competitive market that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than we do. Competition for the transportation of drybulk cargoes can be intense and depends on price, location, size, age, condition and the acceptability of the vessel and its managers to the charterers. Due in part to the highly fragmented market, competitors with greater resources could enter and operate larger fleets through consolidations or acquisitions that may be able to offer better prices and fleets than we are able to offer.

We are currently prohibited from paying dividends or repurchasing our stock, and it is unlikely this prohibition will be lifted until market conditions improve.

As a condition to certain amendments to our 2007 Credit Facility, we agreed to suspend our cash dividends and share repurchases until we can satisfy the collateral maintenance requirement under this facility. Until market conditions which have resulted in a decline in the value of drybulk vessels improve, it is unlikely that we will be able to meet that condition to reinstate our cash dividends and share repurchases. In addition, under certain agreements we entered into to amend or waive portions of our $100 Million Term Loan Facility and our $253 Million Term Facility, we are prohibited from paying dividends while the waivers are in effect through December 31, 2012.

If we were able to reinstate the payment of cash dividends under our credit facilities, we would make dividend payments to our shareholders only if our Board of Directors, acting in its sole discretion, determines that such payments would be in our best interest and in compliance with relevant legal and contractual requirements. The principal business factors that our Board of Directors would consider when determining the timing and amount of dividend payments would be our earnings, financial condition and cash requirements at the time. Marshall Islands law generally prohibits the declaration and payment of dividends other than from surplus. Marshall Islands law also prohibits the declaration and payment of dividends while a company is insolvent or would be rendered insolvent by the payment of such a dividend.

We may incur other expenses or liabilities that would reduce or eliminate the cash available for distribution as dividends. We may also enter into new agreements or the Marshall Islands or another jurisdiction may adopt laws or regulations that place additional restrictions on our ability to pay dividends. If we do not pay dividends, the return on your investment would be limited to the price at which you could sell your shares.

We may not be able to grow or effectively manage our growth, which could cause us to incur additional indebtedness and other liabilities and adversely affect our business.

We may seek growth by expanding our business. Our future growth will depend on a number of factors, some of which we can control and some of which we cannot. These factors include our ability to:

- identify vessels for acquisition;

- consummate acquisitions or establish joint ventures;
- integrate acquired vessels successfully with our existing operations;
- expand our customer base; and
- obtain required financing for our existing and new operations.

Currently, there is no availability under out existing credit facilities, excluding Baltic Trading s credit facility. Additionally, under our 2007 Credit Facility, we are subject to a quarterly cash sweep of amounts above $100 million as described in Note 9 Long-Term Debt in our consolidated financial statements, which limits the amount of cash we can retain from equity or debt financings. These limitations place significant restrictions on financing that we could use for our growth.

Growing any business by acquisition presents numerous risks, including undisclosed liabilities and obligations, difficulty obtaining additional qualified personnel, managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. Future acquisitions could result in the incurrence of additional indebtedness and liabilities that could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends. In addition, competition from other buyers for vessels could reduce our acquisition opportunities or cause us to pay a higher price than we might otherwise pay. We cannot assure you that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with these plans.

Our outstanding convertible notes could affect our business in the future.

The issuance of our 5.00% Convertible Senior Notes due August 15, 2015 (the 2010 Notes) could affect us and our business in the following ways:

- The indebtedness associated with the 2010 Notes, together with indebtedness incurred under our 2007 Credit Facility, $253 Million Term Loan Facility, $100 Million Term Loan Facility and the 2010 Baltic Trading Credit Facility, is substantial. Our ability to obtain additional financing or pursue new business opportunities may be negatively impacted.

- We may need to refinance the 2010 Notes and our other debt on terms that may be unfavorable to us (if refinancing is available at all) if our cash flow is insufficient to service the 2010 Notes and such other debt.

- We may make cash payments to satisfy our conversion obligations under the 2010 Notes, which could materially adversely affect our liquidity, cash flows, and results of operations.

- In the event of certain mergers or acquisitions of us, the indenture for the 2010 Notes may require us to repurchase the 2010 Notes or the surviving entity to assume our obligations under the 2010 Notes. These requirements may deter or prevent a business combination that may be favorable to our securityholders.

We currently maintain all of our cash and cash equivalents with five financial institutions, which subjects us to credit risk.

We currently maintain all of our cash and cash equivalents with five financial institutions. None of our balances are covered by insurance in the event of default by the financial institutions. The occurrence of such a default of any of these institutions could therefore have a material adverse effect on our business, financial condition, results of operations and cash flows.

If we are unable to fund our capital expenditures, we may not be able to continue to operate some of our vessels, which would have a material adverse effect on our business and our ability to pay dividends.

In order to fund our capital expenditures, we may be required to incur borrowings or raise capital through the sale of debt or equity securities. Our ability to borrow money and access the capital markets through future offerings may be limited by our financial condition at the time of any such offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Our failure to obtain the funds for necessary future capital expenditures would limit our ability to continue to operate some of our vessels or impair the value of our vessels and could have a material adverse effect on our business, results of operations, financial condition, cash flows and ability to pay dividends. Even if we are successful in obtaining such funds through financings, the terms of such financings could further limit our ability to pay dividends.

We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations or to make dividend payments.

We are a holding company, and our subsidiaries, which are all wholly owned by us, either directly or indirectly, conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our wholly owned subsidiaries. As a result, our ability to satisfy our financial obligations and to pay dividends to our shareholders depends on the ability of our subsidiaries to distribute funds to us. In turn, the ability of our subsidiaries to make dividend payments to us will be dependent on them having profits available for distribution and, to the extent that we are unable to obtain dividends from our subsidiaries, this will limit the discretion of our Board of Directors to pay or recommend the payment of dividends.

We are at risk for the creditworthiness of our charterers.

The actual or perceived credit quality of our charterers, and any defaults by them, or market conditions affecting the time charter market and the credit markets, may materially affect our ability to obtain the additional capital resources that may be required to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing at all or at a higher than anticipated cost may have a material adverse affect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

If management is unable to continue to provide reports as to the effectiveness of our internal control over financial reporting or our independent registered public accounting firm is unable to continue to provide us with unqualified attestation reports as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of our common stock.

Under Section 404 of the Sarbanes-Oxley Act of 2002, we are required to include in this and each of our future annual reports on Form 10-K a report containing our management s assessment of the effectiveness of our internal control over financial reporting and a related attestation of our independent registered public accounting firm. If, in such future annual reports on Form 10-K, our management cannot provide a report as to the effectiveness of our internal control over financial reporting or our independent registered public accounting firm is unable to provide us with an unqualified attestation report as to the effectiveness of our internal control over financial reporting as required by Section 404, investors could lose confidence in the reliability of our consolidated financial statements, which could result in a decrease in the value of our common stock.

If we are unable to operate our financial and operations systems effectively or to recruit suitable employees as we expand our fleet, our performance may be adversely affected.

Our current financial and operating systems may not be adequate as we implement our plan to expand the size of our fleet, and our attempts to improve those systems may be ineffective. In addition, as we expand our fleet, we will have to rely on our outside technical managers to recruit suitable additional seafarers and shore-based administrative and management personnel. We cannot assure you that our outside technical managers will be able to continue to hire suitable employees as we expand our fleet.

We may be unable to attract and retain key management personnel and other employees in the shipping industry, which may negatively affect the effectiveness of our management and our results of operations.

Our success depends to a significant extent upon the abilities and efforts of our management team and our ability to hire and retain key members of our management team. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining personnel could have a material adverse effect our business, results of operations, cash flows, financial condition and ability to pay dividends. We do not intend to maintain key man life insurance on any of our officers.

Arrangements relating to our Baltic Trading subsidiary and MEP could require significant time and attention from our personnel and may result in conflicts of interest.

Our subsidiary, Baltic Trading, conducts a shipping business focused on the drybulk industry spot market. Some of our personnel provide services to Baltic Trading, including our Chief Financial Officer. This requires substantial time and attention from these individuals and reduces their availability to serve us. Our Chairman and two of our directors serve on the Baltic Trading board of directors. Our officers and directors who also serve Baltic Trading may encounter situations in which their fiduciary obligations to us and to Baltic Trading are in conflict. The Omnibus Agreement entered into between us and Baltic Trading is intended to reduce these conflicts by granting a right of first refusal to Baltic Trading for certain spot chartering opportunities and to us for other business opportunities. However, these arrangements and/or the resolutions of these conflicts may not always be in our best interest or that of our shareholders and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

We provide technical services for drybulk vessels purchased by MEP under an agency agreement between us and MEP. These services include oversight of crew management, insurance, drydocking, ship operations and financial statement preparation, but do not include chartering services. This requires substantial time and attention from these individuals and reduces their availability to serve us. Our Chairman controls and has a minority interest in MEP. This arrangement was approved by an independent committee of our Board of Directors. Although we do not provide MEP with chartering services or assistance with the purchase and sale of vessels, the arrangement under the agency agreement may not always be in our best interest or that of our shareholders and could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Our Chairman may pursue business opportunities in our industry that may conflict with our interests.

Our Chairman, Peter C. Georgiopoulos, is not an employee of our company and is not contractually committed to remain as a director of our company or to refrain from other activities in our industry. Mr. Georgiopoulos actively reviews potential investment opportunities in the shipping industry, including the drybulk sector, from time to time. Mr. Georgiopoulos controls and has a minority interest in MEP, which owns an aggregate of 12 drybulk vessels. Mr. Georgiopoulos has informed us that so long as he is a director of our company, prior to making an investment in an entity owning or operating drybulk vessels, he intends to disclose the details of such investment to our board and our independent directors and allow us to pursue the opportunity to the extent we choose to do so and are able. However, in the event we choose not to pursue any such opportunity or are not able to obtain such an opportunity, Mr. Georgiopoulos may proceed, either alone or with others, with such investments. As a result of such investments, Mr. Georgiopoulos may have independent interests in the ownership and operation of drybulk vessels that may conflict with our interests.

We may not have adequate insurance to compensate us if we lose our vessels or to compensate third parties.

There are a number of risks associated with the operation of ocean-going vessels, including mechanical failure, collision, human error, war, terrorism, piracy, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. Any of these events may result in loss of revenues, increased costs and decreased cash flows. In addition, the operation of any vessel is subject to the inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

We are insured against tort claims and some contractual claims (including claims related to environmental damage and pollution) through memberships in protection and indemnity associations or clubs, or P&I Associations. As a result of such membership, the P&I Associations provide us coverage for such tort and contractual claims. We also carry hull and machinery insurance and war risk insurance for our fleet. We insure our vessels for third-party liability claims subject to and in accordance with the rules of the P&I Associations in which the vessels are entered. We currently maintain insurance against loss of hire, which covers business interruptions that result in the loss of use of a vessel. We can give no assurance that we will be adequately insured against all risks. We may not be able to obtain adequate insurance coverage for our fleet in the future. The insurers may not pay particular claims. Our insurance policies contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs or lower our revenue.

We cannot assure you that we will be able to renew our insurance policies on the same or commercially reasonable terms, or at all, in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, protection and indemnity insurance against risks of environmental damage or pollution. Any uninsured or underinsured loss could harm our business, results of operations, cash flows, financial condition and ability to pay dividends. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our ships failing to maintain certification with applicable maritime self-regulatory organizations. Further, we cannot assure you that our insurance policies will cover all losses that we incur, or that disputes over insurance claims will not arise with our insurance carriers. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. In addition, our insurance policies are subject to limitations and exclusions, which may increase our costs or lower our revenues, thereby possibly having a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

*We are subject to funding calls by our protection and indemnity associations, and our associations may not have enough resources to cover claims made against them***.**

We are indemnified for legal liabilities incurred while operating our vessels through membership in P&I Associations. P&I Associations are mutual insurance associations whose members must contribute to cover losses sustained by other association members. The objective of a P&I Association is to provide mutual insurance based on the aggregate tonnage of a member s vessels entered into the association. Claims are paid through the aggregate premiums of all members of the association, although members remain subject to calls for additional funds if the aggregate premiums are insufficient to cover claims submitted to the association. Claims submitted to the association may include those incurred by members of the association, as well as claims submitted to the association from other P&I Associations with which our P&I Association has entered into interassociation agreements. We cannot assure you that the P&I Associations to which we belong will remain viable or that we will not become subject to additional funding calls which could adversely affect us.

We may have to pay U.S. tax on U.S. source income, which would reduce our net income and cash flows.

If we do not qualify for an exemption pursuant to Section 883 of the U.S. Internal Revenue Code of 1986, as amended, or the Code, which we refer to as Section 883, then we will be subject to U.S. federal income tax on our shipping income that is derived from U.S. sources. If we are subject to such tax, our net income and cash flows would be reduced by the amount of such tax.

We will qualify for exemption under Section 883 if, among other things, our stock is treated as primarily and regularly traded on an established securities market in the United States. Under applicable Treasury regulations, we may not satisfy this publicly-traded requirement in any taxable year in which 50% or more of our stock is owned for more than half the days in such year by persons who actually or constructively own 5% or more of our stock, which we sometimes refer to as 5% shareholders.

Based on the ownership of our stock, we believe that we satisfied the publicly traded requirement for an exemption from U.S. federal income tax on our shipping income pursuant to Section 883 of the U.S. Internal Revenue Code of 1986, as amended, for 2010 and 2011. However, if 5% shareholders were to own 50% or more of our stock for more than half the days of any taxable year, we may not be eligible to claim exemption from tax under Section 883 for such taxable year. As of December 31, 2012, based on the holdings of our Chairman, Peter C. Georgiopoulos and the holdings of other investors reported on Schedule 13G, our 5% shareholders owned approximately 30% of our common stock. We can provide no assurance that changes and shifts in the ownership of our stock by 5% shareholders will not preclude us from qualifying for exemption from tax under Section 883 in future years.

If we do not qualify for the Section 883 exemption, our shipping income derived from U.S. sources, or 50% of our gross shipping income attributable to transportation beginning or ending in the United States, would be subject to a 4% tax without allowance for deductions.

Baltic Trading is also incorporated in the Marshall Islands. However, Baltic Trading did not qualify for an exemption under Section 883 upon consummation of its IPO because it did not satisfy the publicly traded requirement as described above. Since Baltic Trading s IPO was completed on March 15, 2010, we have indirectly owned shares of Baltic Trading s Class B Stock which has provided us with over 50% of the combined voting power of all classes of Baltic Trading s voting stock. As such, Baltic Trading is subject to income tax on its United States source income. During the years ended December 31, 2012, 2011 and 2010, Baltic Trading had United States operations which resulted in United States source income of approximately $1.4 million, $3.1 million and $2.5 million, respectively.

In addition, our revenues derived from our technical and commercial management provided to Baltic Trading and MEP resulted in U.S. source income for which we are subject to U.S. income tax on a net basis. These revenues totaled approximately $6.1 million, $6.3 million and $6.7 million during the years ended December 31, 2012, 2011 and 2010, respectively.

U.S. tax authorities could treat us as a passive foreign investment company, which could have adverse U.S. federal income tax consequences to U.S. shareholders.

A foreign corporation generally will be treated as a passive foreign investment company, which we sometimes refer to as a PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of passive income or (2) at least 50% of its assets (averaged over the year and generally determined based upon value) produce or are held for the production of passive income. U.S.

shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to distributions they receive from the PFIC and gain, if any, they derive from the sale or other disposition of their stock in the PFIC.

For purposes of these tests, passive income generally includes dividends, interest, gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business, as defined in applicable Treasury regulations. For purposes of these tests, income derived from the performance of services does not constitute passive income. By contrast, rental income would generally constitute passive income unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business. We do not believe that our existing operations would cause us to be deemed a PFIC with respect to any taxable year. In this regard, we treat the gross income we derive or are deemed to derive from our time and spot chartering activities as services income, rather than rental income. Accordingly, we believe that (1) our income from our time and spot chartering activities does not constitute passive income and (2) the assets that we own and operate in connection with the production of that income do not constitute passive assets.

While there is no direct legal authority under the PFIC rules addressing our method of operation, there is legal authority supporting this position consisting of case law and pronouncements by the United States Internal Revenue Service, which we sometimes refer to as the IRS, concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority that characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, because there are uncertainties in the application of the PFIC rules, because the PFIC test is an annual test, and because, although we intend to manage our business so as to avoid PFIC status to the extent consistent with our other business goals, there could be changes in the nature and extent of our operations in future years, there can be no assurance that we will not become a PFIC in any taxable year.

If we were to be treated as a PFIC for any taxable year (and regardless of whether we remain a PFIC for subsequent taxable years), our U.S. shareholders would face adverse U.S. tax consequences. Under the PFIC rules, unless a shareholder makes certain elections available under the Code (which elections could themselves have adverse consequences for such shareholder), such shareholder would be liable to pay U.S. federal income tax at the highest applicable income tax rates on ordinary income upon the receipt of excess distributions and upon any gain from the disposition of our common stock, plus interest on such amounts, as if such excess distribution or gain had been recognized ratably over the shareholder s holding period of our common stock.

Because we generate all of our revenues in U.S. dollars but incur a portion of our expenses in other currencies, exchange rate fluctuations could hurt our results of operations.

We generate all of our revenues in U.S. dollars, but we may incur drydocking costs, special survey fees and other expenses in other currencies. If our expenditures on such costs and fees were significant, and the U.S. dollar were weak against such currencies, our business, results of operations, cash flows, financial condition and ability to pay dividends could be adversely affected.

Legislative action relating to taxation could materially and adversely affect us.

Our tax position could be adversely impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by any tax authority. For example, legislative proposals have been introduced in the U.S. Congress which, if enacted, could change the circumstances under which we would be treated as a U.S. person for U.S. federal income tax purposes, which could materially and adversely affect our effective tax rate and cash tax position and require us to take action, at potentially significant expense, to seek to preserve our effective tax rate and cash tax position. We cannot predict the outcome of any specific legislative proposals.

RISK FACTORS RELATED TO OUR COMMON STOCK

Certain shareholders own large portions of our outstanding common stock, which may limit your ability to influence our actions.

As of December 31, 2012, Peter C. Georgiopoulos, our Chairman, owned approximately 10.63% of our common stock directly or through Fleet Acquisition LLC. Also as of December 31, 2012, Nevada Capital Corporation Limited, a company unaffiliated with Mr. Georgiopoulos, owned approximately 13.55% of our common stock. As a result of this share ownership and for so long as either such shareholder owns a significant percentage of our outstanding common stock, either such shareholder will be able to influence the outcome of any shareholder vote, including the election of directors, the adoption or amendment of provisions in our articles of incorporation or by-laws and possible mergers, corporate control contests and other significant corporate transactions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, merger, consolidation, takeover or other business combination involving us. This concentration of ownership could also discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which could in turn have an adverse effect on the market price of our common stock.

Because we are a foreign corporation, you may not have the same rights or protections that a shareholder in a United States corporation may have.

We are incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law and may make it more difficult for our shareholders to protect their interests. Our corporate affairs are governed by our amended and restated articles of incorporation and bylaws and the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. The rights and fiduciary responsibilities of directors under the law of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions and there have been few judicial cases in the Marshall Islands interpreting the BCA. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction. Therefore, you may have more difficulty in protecting your interests as a shareholder in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction.

Future sales of our common stock could cause the market price of our common stock to decline.

The market price of our common stock could decline due to sales of a large number of shares in the market, including sales of shares by our large shareholders, or the perception that these sales could occur. These sales could also make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate to raise funds through future offerings of common stock. We have entered into a registration rights agreement with Fleet Acquisition LLC that entitles it to have all the shares of our common stock that it owns registered for sale in the public market under the Securities Act of 1933, as amended (the Securities Act) and, pursuant to the registration rights agreement, registered Fleet Acquisition LLC s shares on a registration statement on Form S-3 in February 2007. We also registered on Form S-8 for an aggregate of 2,000,000 shares issued or issuable under our 2005 equity compensation plan. Additionally, a Form S-8 was also registered on August 17, 2012 for an aggregate of 3,000,000 shares issued or issuable under our 2012 equity compensation plan.

We may need to raise additional capital in the future, which may not be available on favorable terms or at all or which may dilute our common stock or adversely affect its market price.

We may require additional capital to expand our business and increase revenues, add liquidity in response to negative economic conditions, meet unexpected liquidity needs caused by industry volatility or uncertainty and reduce our outstanding indebtedness under our existing facilities. To the extent that our existing capital and borrowing capabilities are insufficient to meet these requirements and cover any losses, we will need to raise additional funds through debt or equity financings, including offerings of our common stock, securities convertible into our common stock, or rights to acquire our common stock or curtail our growth and reduce our assets or restructure arrangements with existing security holders. Any equity or debt financing, or additional borrowings, if available at all, may be on terms that are not favorable to us. Equity financings could result in dilution to our stockholders, as described further below, and the securities issued in future financings may have rights, preferences and privileges that are senior to those of our common stock. If our need for capital arises because of significant losses, the occurrence of these losses may make it more difficult for us to raise the necessary capital. If we cannot raise funds on acceptable terms if and when needed, we may not be able to take advantage of future opportunities, grow our business or respond to competitive pressures or unanticipated requirements.

Conversion of the 2010 Notes may dilute the ownership interest of existing stockholders.

The conversion of some or all of the 2010 Notes may dilute the ownership interests of existing stockholders. Any sales in the public market of any of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the anticipated conversion of the 2010 Notes into shares of our common stock or a combination of cash and shares of our common stock could depress the price of our common stock.

Future issuances of our common stock could dilute our shareholders interests in our company.

We may, from time to time, issue additional shares of common stock to support our growth strategy, reduce debt or provide us with capital for other purposes that our Board of Directors believes to be in our best interest. To the extent that an existing shareholder does not purchase additional shares that we may issue, that shareholder s interest in our company will be diluted, which means that its percentage of ownership in our company will be reduced. Following such a reduction, that shareholder s common stock would represent a smaller percentage of the vote in our Board of Directors elections and other shareholder decisions.

Volatility in the market price and trading volume of our common stock could adversely impact the trading price of our common stock.

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies like us. These broad market factors may materially reduce the market price of our common stock, regardless of our operating performance. The market price of our common stock, which has experienced significant price and volume fluctuations in recent months, could continue to fluctuate significantly for many reasons, including in response to the risks described herein or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. A decrease in the market price of our common stock would adversely impact the value of your shares of common stock.

Provisions of our amended and restated articles of incorporation and by-laws may have anti-takeover effects which could adversely affect the market price of our common stock.

Several provisions of our amended and restated articles of incorporation and by-laws, which are summarized below, may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our Board of Directors to maximize shareholder value in connection with any unsolicited offer to acquire our company. However, these anti-takeover provisions could also discourage, delay or prevent (1) the merger or acquisition of our company by means of a tender offer, a proxy contest or otherwise that a shareholder may consider in its best interest and (2) the removal of incumbent officers and directors.

Blank Check Preferred Stock.

Under the terms of our amended and restated articles of incorporation, our Board of Directors has the authority, without any further vote or action by our shareholders, to authorize our issuance of up to 25,000,000 shares of blank check preferred stock. Our Board of Directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

Classified Board of Directors.

Our amended and restated articles of incorporation provide for the division of our Board of Directors into three classes of directors, with each class as nearly equal in number as possible, serving staggered, three-year terms beginning upon the expiration of the initial term for each class. Approximately one-third of our Board of Directors is elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of us. It could also delay shareholders who do not agree with the policies of our Board of Directors from removing a majority of our Board of Directors for up to two years.

Election and Removal of Directors.

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

Limited Actions by Shareholders.

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

Advance Notice Requirements for Shareholder Proposals and Director Nominations.

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

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

We are incorporated in the Republic of the Marshall Islands and most of our subsidiaries are also organized in the Marshall Islands. Substantially all of our assets and those of our subsidiaries are located outside the United States. As a result, it may be difficult or impossible for

United States shareholders to serve process within the United States upon us or to enforce judgment upon us for civil liabilities in United States courts. In addition, you should not assume that courts in the countries in which we are incorporated or where our assets are located (1) would enforce judgments of United States courts obtained in actions against us based upon the civil liability provisions of applicable United States federal and state securities laws or (2) would enforce, in original actions, liabilities against us based upon these laws.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

We do not own any real property. In September 2005, we entered into a 15-year lease for office space in New York, New York. The monthly rental is as follows: Free rent from September 1, 2005 to July 31, 2006, $40,000 per month from August 1, 2006 to August 31, 2011, $43,000 per month from September 1, 2011 to August 31, 2016, and $46,000 per month from September 1, 2016 to August 31, 2021. The monthly straight-line rental expense from September 1, 2005 to August 31, 2021 is $39,000. We have the option to extend the lease for a period of five years from September 1, 2021 to August 31, 2026. The rent for the renewal period will be based on the prevailing market rate for the six months prior to the commencement date of the extension term. On January 6, 2012, we ceased use of this space. Refer to Note 19 Commitments and Contingencies in our consolidated financial statements for further information.

Future minimum rental payments on the above lease for the next five years and thereafter are as follows: $0.5 million for 2013 through 2016, $0.6 million for 2017 and a total of $2.0 million for the remaining term of the lease.

Effective April 4, 2011, we entered into a seven-year sub-sublease agreement for additional office space in New York, New York. The term of the sub-sublease commenced June 1, 2011, with a free base rental period until October 31, 2011. Following the expiration of the free base rental period, the monthly base rental payments are $82,000 per month until May 31, 2015 and thereafter will be $90,000 per month until the end of the seven-year term. We have also entered into a direct lease with the over-landlord of such office space that commences immediately upon the expiration of such sub-sublease agreements, for a term covering the period from May 1, 2018 to September 30, 2025; the direct lease provides for a free base rental period from May 1, 2018 to September 30, 2018. Following the expirations of the free base rental period, the monthly base rental payments will be $186,000 per month from October 1, 2018 to April 30, 2023 and $204,000 per month from May 1, 2023 to September 30, 2025. For accounting purposes, the sub-sublease agreement and direct lease agreement with the landlord constitute one lease agreement. As a result of the straight-line rent calculation generated by the free rent period and the tenant work credit, the monthly straight-line rental expense for the term of the entire lease from June 1, 2011 to September 30, 2025 is $130,000.

Future minimum rental payments on the above lease for the next five years and thereafter are as follows: $1.0 million for 2013 through 2015, $1.1 million for 2016 through 2017 and a total of $16.5 million for the remaining term of the lease.

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

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

MARKET INFORMATION, HOLDERS AND DIVIDENDS

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

FISCAL YEAR ENDED DECEMBER 31, 2012	HIGH	LOW
1st Quarter	$ 10.12	$ 5.93
2nd Quarter	$ 6.45	$ 2.75
3rd Quarter	$ 4.54	$ 2.09
4th Quarter	$ 4.12	$ 2.40

FISCAL YEAR ENDED DECEMBER 31, 2011	HIGH	LOW
1st Quarter	$ 15.47	$ 10.69
2nd Quarter	$ 10.91	$ 6.28
3rd Quarter	$ 9.75	$ 4.15
4th Quarter	$ 10.14	$ 5.78

As of March 1, 2012, there were approximately 131 holders of record of our common stock.

Until January 26, 2009, our dividend policy was to declare quarterly distributions to shareholders, which commenced in November 2005, by each February, May, August and November substantially equal to our available cash from operations during the previous quarter, less cash expenses for that quarter (principally vessel operating expenses and debt service) and any reserves our Board of Directors determined we should maintain. These reserves covered, among other things, drydocking, repairs, claims, liabilities and other obligations, interest expense and debt amortization, acquisitions of additional assets and working capital. Under the terms of the 2009 Amendment to our 2007 Credit Facility (discussed in the Liquidity and Capital Resources section of Management s Discussion and Analysis of Financial Condition and Results of Operations in this report and in Note 9 Long-Term Debt of our consolidated financial statements), we have suspended payment of cash dividends indefinitely beginning the quarter ended December 31, 2008. To reinstate our cash dividends under the 2007 Credit Facility, we must be able to represent to the lenders that we are in a position to again satisfy the collateral maintenance covenant under this facility. In addition, under the terms of the August 2012 Agreements, we are prohibited from paying dividends through December 31, 2013. There were no dividends declared during the years ended December 31, 2012, 2011 and 2010.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2012 regarding the number of shares of our common stock that may be issued under the 2012 Equity Incentive Plan, which is our current sole equity compensation plan:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders		$	2,853,325
Equity compensation plans not approved by security holders			
Total		$	2,853,325

SHARE REPURCHASE PROGRAM

Refer to the Share Repurchase Program section of Item 7 for a summary of cumulative share repurchases made pursuant to the Share Repurchase Program.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

	For the Years Ended December 31, 2012	2011	2010	2009	2008
Income Statement Data:					
(U.S. dollars in thousands except for share and per share amounts)					
Revenues:					
Voyage revenues	$ 223,159	$ 388,929	$ 447,438	$ 379,531	$ 405,370
Service revenues	3,294	3,285	1,249		
Total revenues	$ 226,453	$ 392,214	$ 448,687	$ 379,531	$ 405,370
Operating Expenses:					

Voyage expenses	7,009	4,457	4,467	5,024	5,116
Vessel operating expenses	114,318	105,514	78,976	57,311	47,130
General, administrative and management fees	35,673	33,928	29,081	18,554	19,814
Depreciation and amortization	139,063	136,203	115,663	88,150	71,395
Other operating income	(265)	(527)	(791)		
Loss on forfeiture of vessel deposits					53,765
Gain on sale of vessels					(26,227)
Total operating expenses	295,798	279,575	227,396	169,039	170,993
Operating (loss) income	(69,345)	112,639	221,291	210,492	234,377
Other expense	(87,209)	(86,186)	(72,042)	(61,868)	(147,797)
(Loss) income before income taxes	(156,554)	26,453	149,249	148,624	86,580
Income tax expense	(1,222)	(1,385)	(1,840)		
Net (loss) income	(157,776)	25,068	147,409	148,624	86,580
Less: Net (loss) income attributable to noncontrolling interest	(12,848)	(318)	6,166		
Net (loss) income attributable to Genco Shipping & Trading Limited	$ (144,928)	$ 25,386	$ 141,243	$ 148,624	$ 86,580
Net (loss) income per share - basic	$ (3.47)	$ 0.72	$ 4.28	$ 4.75	$ 2.86
Net (loss) income per share - diluted	$ (3.47)	$ 0.72	$ 4.07	$ 4.73	$ 2.84
Dividends declared per share		$	$	$	$ 3.85
Weighted average common shares outstanding - Basic	41,727,075	35,179,244	32,987,449	31,295,212	30,290,016
Weighted average common shares outstanding - Diluted	41,727,075	35,258,205	35,891,373	31,445,063	30,452,850
Balance Sheet Data:					
(U.S. dollars in thousands, at end of period)					
Cash and cash equivalents	$ 72,600	$ 227,968	$ 270,877	$ 188,267	$ 124,956
Total assets	2,843,371	3,119,277	3,182,708	2,336,802	1,990,006
Total debt (current and long-term, including notes payable)	1,524,357	1,694,393	1,746,248	1,327,000	1,173,300
Total shareholders equity	1,261,207	1,361,618	1,348,153	928,925	696,478
Other Data:					
(U.S. dollars in thousands)					
Net cash (used in) provided by operating activities	$ (18,834)	$ 158,183	$ 262,680	$ 219,729	$ 267,416
Net cash used in investing activities	(3,669)	(133,367)	(870,230)	(306,210)	(514,288)
Net cash (used in) provided by financing activities	(132,865)	(67,725)	690,160	149,792	300,332
EBITDA (1)	$ 82,537	$ 249,080	$ 330,711	$ 298,330	$ 208,807

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

	For the Years Ended December 31,				
	2012	**2011**	**2010**	**2009**	**2008**
Net (loss) income attributable to Genco Shipping & Trading Limited	$ (144,928)	$ 25,386	$ 141,243	$ 148,624	$ 86,580
Net interest expense	87,180	86,106	71,965	61,556	50,832
Income tax expense	1,222	1,385	1,840		
Depreciation and amortization	139,063	136,203	115,663	88,150	71,395
EBITDA (1)	$ 82,537	$ 249,080	$ 330,711	$ 298,330	$ 208,807

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

General

We are a Marshall Islands company that transports iron ore, coal, grain, steel products and other drybulk cargoes along worldwide shipping routes through the ownership and operation of drybulk carrier vessels. Excluding Baltic Trading, our fleet currently consists of nine Capesize, eight Panamax, 17 Supramax, six Handymax and 13 Handysize drybulk carriers, with an aggregate carrying capacity of approximately 3,810,000 dwt, and the average age of our fleet is currently 7.8 years, as compared to the average age for the world fleet of approximately 10 years for the drybulk shipping segments in which we compete. Most of the vessels in our fleet are on time charters to well-known charterers, including Lauritzen Bulkers, Cargill, Pacbasin, Trafigura, Klaveness and Swissmarine. As of February 27, 2012, all of the vessels in our fleet, excluding Baltic Trading, are presently engaged under spot market-related and time charter contracts that expire (assuming the option periods in the time charters are not exercised) between March 2013 and May 2015, and five of our vessels are currently operating in vessel pools. See pages 7-11 for a table indicating the built dates of all vessels currently in our fleet.

In addition, Baltic Trading s fleet currently consists of two Capesize, four Supramax and three Handysize drybulk carriers with an aggregate carrying capacity of approximately 672,000 dwt.

If market conditions improve, we may acquire additional modern, high-quality drybulk carriers through timely and selective acquisitions of vessels in a manner that is accretive to our cash flow. In connection with the acquisitions made during 2007 through 2011 and our growth strategy, we negotiated the 2007 Credit Facility, $100 Million Term Loan Facility, $253 Million Term Loan Facility and the 2010 Baltic Trading Credit Facility (each as defined herein) that we have used to acquire vessels. As we have used our remaining availability under these facilities, if we make acquisitions of additional vessels we may consider additional debt and equity financing alternatives from time to time.

On June 3, 2010, we entered into an agreement to purchase a total of eight Handysize drybulk vessels, including five newbuildings, from companies within the Metrostar Management Corporation group of companies (Metrostar) for an aggregate purchase price of $266.0 million. Five of these vessels are owned by us and three are owned by Baltic Trading. Additionally, on June 24, 2010, we entered into a Master Agreement with Bourbon SA (Bourbon) to purchase 16 drybulk vessels, including two newbuildings, for an aggregate purchase price of $545.0 million. We retained 13 of the 16 vessels, including one newbuilding, and the remaining three vessels were immediately resold to Maritime Equity Partners LLC (MEP), a company managed by a Company owned by our Chairman, Peter C. Georgiopoulos. All eight vessels have been delivered from Metrostar and all 16 vessels have been delivered from Bourbon, three of which were sold to MEP.

In order to fund the acquisition of these vessels, we entered into two senior secured term loan facilities. On August 12, 2010, we entered into a $100 million senior secured term loan facility (the $100 Million Term Loan Facility) to be utilized to fund or refund to us a portion of the purchase price of the acquisition of five vessels from Metrostar. On August 20, 2010, we entered into a $253 million senior secured term loan facility (the $253 Million Term Loan Facility) to fund a portion of the purchase price of the acquisition of 13 vessels from Bourbon. The Baltic Trading vessels have been funded utilizing its $150 million senior secured revolving credit facility (the 2010 Baltic Trading Credit Facility) for bridge financing.

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

We hold an investment in the capital stock of Jinhui Shipping and Transportation Limited (Jinhui). Jinhui is a drybulk shipping owner and operator focused on the Supramax segment of drybulk shipping.

Baltic Trading, formerly our wholly-owned subsidiary, completed its initial public offering, or IPO, on March 15, 2010. As of December 31, 2012, our wholly-owned subsidiary Genco Investments LLC owned 5,699,088 shares of Baltic Trading s Class B Stock, which represents a 24.78% ownership interest in Baltic Trading at December 31, 2012 and 83.17% of the aggregate voting power of Baltic Trading s outstanding shares of voting stock. Baltic Trading is consolidated as we control a majority of the voting interest in Baltic Trading. Management s discussion and analysis of our results of operations and financial condition in this section includes the results of Baltic Trading.

We entered into a long-term management agreement (the Management Agreement) with Baltic Trading pursuant to which we apply our expertise and experience in the drybulk industry to provide Baltic Trading with commercial, technical, administrative and strategic services. The Management Agreement is for an initial term of approximately 15 years and will automatically renew for additional five-year periods unless terminated in accordance with its terms. Baltic Trading will pay us for the services we provide it as well as reimburse us for our costs and expenses incurred in providing certain of these services. Management fee income we earn from the Management Agreement net of any allocated shared expenses, such as salary, office expenses and other general and administrative fees, will be taxable to us. Upon consolidation with Baltic Trading, any management fee income earned will be eliminated for financial reporting purposes.

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

During the beginning of 2009, the Genco Cavalier, a 2007-built Supramax vessel, was on charter to Samsun Logix Corporation (Samsun), when Samsun filed for the equivalent of bankruptcy protection in South Korea, otherwise referred to as a rehabilitation application. On February 5, 2010, the rehabilitation plan submitted by Samsun was approved by the South Korean courts. As part of the rehabilitation process, our claim of approximately $17.2 million will be settled in the following manner: 34%, or approximately $5.9 million, will be paid in cash in annual installments on December 30 of each year from 2010 through 2019 ranging in percentages from eight to 17; the remaining 66%, or approximately $11.3 million, converted to Samsun shares at a specified value per share. During the year ended December 31, 2012, we recorded $0.3 million as other operating income which represents 50% of the portion (9%) of the cash settlement that was due on December 30, 2012 as this was the only amount remitted by Samsun. During the year ended December 31, 2011, we recorded $0.5 million as other operating income which represents the portion (9%) of the cash settlement that was due on December 30, 2011. During the year ended December 31, 2010, we recorded $0.6 million as other operating income which represents the portion (10%) of the cash settlement which was due on December 30, 2010.

During January 2011, the Genco Success, a 1997-built Handymax vessel, was on charter to Korea Line Corporation (KLC) when KLC filed for a rehabilitation application. On July 3, 2012, the rehabilitation plan submitted by KLC was approved by the South Korean courts. As part of the rehabilitation process, our claim of approximately $0.8 million will be settled in the following manner: 37%, or approximately $0.3 million, will be paid in cash in annual installments on December 30 of each year from 2012 through 2021 ranging in percentages from 0.5 to 43; the remaining 63%, or approximately $0.5 million, converted to KLC shares at a specified value per share. During the year ended December 31, 2012, we recorded two-thousand dollars as other operating income which represents the portion (0.5%) of the cash settlement that was due on December 30, 2012.

Year ended December 31, 2012 compared to the year ended December 31, 2011

Factors Affecting Our Results of Operations

We believe that the following table reflects important measures for analyzing trends in our results of operations. The table reflects our ownership days, available days, operating days, fleet utilization, TCE rates and daily vessel operating expenses for the years ended December 31, 2012 and 2011 on a consolidated basis, which includes the operations of Baltic Trading.

	For the Years Ended December 31,		Increase	
	2012	2011	(Decrease)	% Change
Fleet Data:				
Ownership days (1)				
Capesize	4,026.0	4,015.0	11.0	0.3%
Panamax	2,928.0	2,920.0	8.0	0.3%
Supramax	7,686.0	7,577.6	108.4	1.4%
Handymax	2,196.0	2,190.0	6.0	0.3%
Handysize	5,856.0	5,194.9	661.1	12.7%

Total	22,692.0	21,897.5	794.5	3.6%
Available days (2)				
Capesize	3,995.9	3,984.9	11.0	0.3%
Panamax	2,800.4	2,901.7	(101.3)	(3.5)%
Supramax	7,505.5	7,575.7	(70.2)	(0.9)%
Handymax	2,112.5	2,140.3	(27.8)	(1.3)%
Handysize	5,856.0	5,188.4	667.6	12.9%
Total	22,270.3	21,791.0	479.3	2.2%
Operating days (3)				
Capesize	3,989.8	3,983.6	6.2	0.2%
Panamax	2,785.8	2,880.2	(94.4)	(3.3)%
Supramax	7,380.9	7,500.2	(119.3)	(1.6)%
Handymax	2,091.6	2,119.5	(27.9)	(1.3)%
Handysize	5,841.4	5,143.8	697.6	13.6%
Total	22,089.5	21,627.3	462.2	2.1%
Fleet utilization (4)				
Capesize	99.8%	100.0%	(0.2)%	(0.2)%
Panamax	99.5%	99.3%	0.2%	0.2%
Supramax	98.3%	99.0%	(0.7)%	(0.7)%
Handymax	99.0%	99.0%		
Handysize	99.8%	99.1%	0.7%	0.7%
Fleet average	99.2%	99.2%		

(U.S. dollars)	For the Years Ended December 31, 2012	2011	Increase (Decrease)	% Change
Average Daily Results:				
Time Charter Equivalent (5)				
Capesize	$ 14,137	$ 28,945	$ (14,808)	(51.2)%
Panamax	8,909	21,293	(12,384)	(58.2)%
Supramax	9,298	15,312	(6,014)	(39.3)%
Handymax	8,032	15,676	(7,644)	(48.8)%
Handysize	8,189	11,139	(2,950)	(26.5)%
Fleet average	9,706	17,644	(7,938)	(45.0)%
Daily vessel operating expenses (6)				
Capesize	$ 5,448	$ 5,477	(29)	(0.5)%
Panamax	5,385	4,910	475	9.7%
Supramax	4,878	4,626	252	5.4%
Handymax	5,339	4,968	371	7.5%
Handysize	4,678	4,475	203	4.5%
Fleet average	5,038	4,819	219	4.5%

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

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

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

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

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

	For the Years Ended December 31,	
	2012	2011
Voyage revenues (in thousands)	$ 223,159	$ 388,929
Voyage expenses (in thousands)	7,009	4,457
	216,150	384,472
Total available days	22,270.3	21,791.0
Total TCE rate	$ 9,706	$ 17,644

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

Operating Data

The following compares the components of our operating (loss) income and net (loss) income for the years ended December 31, 2012 and 2011 and certain balance sheet data as of December 31, 2012 and 2011.

	For the Years Ended December 31, 2012	For the Years Ended December 31, 2011	Increase (Decrease)	% Change
Income Statement Data:				
(U.S. dollars in thousands except for per share amounts)				
Revenues:				
Voyage revenue	$ 223,159	$ 388,929	$ (165,770)	(42.6)%
Service revenue	3,294	3,285	9	0.3%
Revenues	226,453	392,214	(165,761)	(42.3)%
Operating Expenses:				
Voyage expenses	7,009	4,457	2,552	57.3%
Vessel operating expenses	114,318	105,514	8,804	8.3%
General, administrative and management fees	35,673	33,928	1,745	5.1%
Depreciation and amortization	139,063	136,203	2,860	2.1%
Other operating income	(265)	(527)	262	(49.7)%
Total operating expenses	295,798	279,575	16,223	5.8%
Operating (loss) income	(69,345)	112,639	(181,894)	(161.6)%
Other expense	(87,209)	(86,186)	(1,023)	1.2%
(Loss) income before income taxes	(156,554)	26,453	(183,007)	(691.8)%
Income tax expense	(1,222)	(1,385)	163	(11.8)%
Net (loss) income	$ (157,776)	$ 25,068	(182,844)	(729.4)%
Less: Net (loss) income attributable to noncontrolling interest	(12,848)	(318)	(12,530)	3,940.3%
Net (loss) income attributable to Genco shipping & Trading Limited	$ (144,928)	$ 25,386	(170,314)	(670.9)%
Net (loss) income per share - basic	$ (3.47)	$ 0.72	$ (4.19)	(581.9)%
Net (loss) income per share - diluted	$ (3.47)	$ 0.72	$ (4.19)	(581.9)%
Dividends declared per share	$	$	$	
Weighted average common shares outstanding Basic	41,727,075	35,179,244	6,547,831	18.6%
Weighted average common shares outstanding - Diluted	41,727,075	35,258,205	6,468,870	18.3%
Balance Sheet Data:				
(U.S. dollars in thousands, at end of period)				
Cash and cash equivalents	$ 72,600	$ 227,968	$ (155,368)	(68.2)%
Total assets	2,843,371	3,119,277	(275,906)	(8.8)%

Total debt (current and long-term, including notes payable)		1,524,357		1,694,393		(170,036)	(10.0)%
Total shareholders equity		1,261,207		1,361,618		(100,411)	(7.4)%
Other Data:							
(U.S. dollars in thousands)							
Net cash (used in) provided by operating activities	$	(18,834)	$	158,183	$	(177,017)	(111.9)%
Net cash used in investing activities		(3,669)		(133,367)		129,698	(97.2)%
Net cash used in financing activities		(132,865)		(67,725)		(65,140)	96.2%
EBITDA (1)	$	82,537	$	249,080	$	(166,543)	(66.9)%

(1) EBITDA represents net (loss) income attributable to Genco Shipping & Trading plus net interest expense, taxes and depreciation and amortization. Refer to page 39 included in Item 6 where the use of EBITDA is discussed and for a table demonstrating our calculation of EBITDA that provides a reconciliation of EBITDA to net (loss) income attributable to Genco Shipping & Trading for each of the periods presented above.

Results of Operations

VOYAGE REVENUES-

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

- the duration of our charters;
- our decisions relating to vessel acquisitions and disposals;
- the amount of time that we spend positioning our vessels;
- the amount of time that our vessels spend in drydock undergoing repairs;
- maintenance and upgrade work;
- the age, condition and specifications of our vessels;
- levels of supply and demand in the drybulk shipping industry; and
- other factors affecting spot market charter rates for drybulk carriers.

During 2012, voyage revenues decreased by $165.8 million, or 42.6%, as compared to 2011. The decrease in revenue was due to lower charter rates achieved by substantially all of our vessels. Additionally, there was a decrease in revenues earned by Baltic Trading s vessels of $16.2 million due to lower spot market rates achieved.

The average TCE rate of our fleet decreased 45.0% to $9,706 a day during 2012 from $17,644 during 2011. The decrease in TCE rates resulted from lower charter rates achieved during 2012 versus 2011 for substantially all of the vessels in our fleet.

During 2012, the Baltic Dry Index, or BDI (a drybulk index) reached a low of 647 on February 3, 2012 and rebounded to yearly high of 1,165 on May 8, 2012. At December 31, 2011, the index was 1,738. In 2013, the index started off at 698 on January 2, 2013 and has since increased to 746 as of February 11, 2013.

The BDI displayed considerable weakness in the beginning of 2012 due to reduced iron ore cargoes recorded through the celebration of the Chinese New Year, as well as a high level of newbuilding vessel deliveries for the first two months of the year. While, the BDI showed a relative rebound from February through May of 2012, adverse market conditions primarily driven by high iron ore inventories and negative sentiment in regards to the growth pace of world economies, maintained the index at relatively low values through September of 2012. A relative rebound was experienced over the next two months with the BDI trading in the 1,000 point range. The year to date in 2013 has exhibited seasonal issues like those of the corresponding period in 2012, with seasonal factors contributing to the most recent downturn in rates, including: order timing issues for iron ore cargoes related to the celebration of the Chinese New Year; increased deliveries of newbuilding vessels for the month of January as compared to the previous three months; and short-term weather-related issues in Brazil and Australia, temporarily reducing iron ore output. Given the fact that approximately 85% of our vessels are chartered at spot market-related rates, including pool agreements, we expect that the recent downturn in rates will adversely impact our first quarter 2013 revenues and results of operation.

For 2012 and 2011, we had ownership days of 22,692.0 days and 21,897.5 days, respectively. The increase in ownership days is primarily a result of the delivery of four vessels during the year ended December 31, 2011. Our fleet utilization remained stable during both periods at 99.2%.

Please see pages 7-11 for table that sets forth information about the current employment of the vessels currently in our fleet as of February 27, 2012.

SERVICE REVENUES-

Service revenues consist of revenues earned from providing technical services to MEP pursuant to the agency agreement between us and MEP. These services include oversight of crew management, insurance, drydocking, ship operations and financial statement preparation, but do not include chartering services. The services are provided for a fee of $750 per ship per day. During the years ended December 31, 2012 and 2011, total service revenue was $3.3 million during both periods.

VOYAGE EXPENSES-

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

For 2012 and 2011, voyage expenses were $7,009 and $4,457, respectively. The increase is primarily due to $1.6 million of bunkers consumed during short-term time charters during 2012 for our vessels other than Baltic Trading s. Included in the $2.6 million increase in voyage expenses during 2012 as compared to 2011 is a $1.1 million increase in voyage expenses for Baltic Trading s vessels.

VESSEL OPERATING EXPENSES-

Vessel operating expenses increased by $8.8 million from $105.5 million to $114.3 million primarily due to the operation of a larger fleet, including the four vessels delivered during the year ended December 31, 2011. The increase was also related to higher maintenance and crew related expenses, as well as the timing of the purchase of spare parts for the year ended December 31, 2012 as compared to the year ended December 31, 2011. The $8.8 million increase includes a $0.7 million increase related to Baltic Trading s vessels.

Average daily vessel operating expenses for our fleet increased by $219 per day from $4,819 during 2011 as compared to $5,038 in 2012. The increase in daily vessel operating expenses was mainly due to higher maintenance and crew related expenses, as well as the timing of the purchase of spares parts during the year ended December 31, 2012. These increases were partially offset by a decrease in lube and insurance related expenses. We believe daily vessel operating expenses are best measured for comparative purposes over a 12-month period in order to take into account all of the expenses that each vessel in our fleet will incur over a full year of operation.

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

Based on our management s estimates and budgets provided by our technical manager, we expect our vessels, excluding Baltic Trading vessels, to have average daily vessel operating expenses during 2013 of:

Vessel Type		**Average Daily Budgeted Amount**
Capesize	$	6,000
Panamax		5,300
Supramax		5,200
Handymax		5,000
Handysize		4,900

Based on these average daily budgeted amounts by vessel type, we expect our fleet, excluding Baltic Trading vessels, to have average daily vessel operating expenses of $5,250 during 2013. The increase in the 2013 budget as compared to the 2012 budget is primarily due to increases in crew and insurance expenses.

Based on our management s estimates and budgets provided by our technical manager, we expect Baltic Trading s vessels to have average daily vessel operating expenses during 2013 of:

Vessel Type	Average Daily Budgeted Amount	
Capesize	$	6,000
Supramax		5,500
Handysize		4,900

Based on these average daily budgeted amounts by vessel type, we expect Baltic Trading vessels to have average daily vessel operating expenses of $5,400 during 2013. The increase in the 2013 budget as compared to the 2012 budget is primarily due to increases in crew and insurance expenses.

GENERAL, ADMINISTRATIVE AND MANAGEMENT FEES-

We incur general and administrative expenses, which relate to our onshore non-vessel-related activities. Our general and administrative expenses include our payroll expenses, including those relating to our executive officers, rent, legal, auditing and other professional expenses. With respect to the restricted shares issued as incentive compensation to our Chairman, our employees and our directors under our 2005 Equity Incentive Plan and 2012 Equity Incentive Plan, refer to Note 21 Nonvested Stock Awards in our consolidated financial statements. Additionally, we incur management fees to third-party technical management companies for the day-to-day management of our vessels, including performing routine maintenance, attending to vessel operations and arranging for crews and supplies.

General, administrative and management fees increased by $1.7 million during 2012 as compared to 2011. The increase in general and administrative fees was primarily due to an increase in office and compensation related expenses. There were also slightly higher management fees during 2012 related to a full year of operation of a larger fleet, including the delivery of four vessels during 2011. During 2013, the management fees per vessel are expected to be the same as during 2012, or approximately $0.13 million per vessel.

DEPRECIATION AND AMORTIZATION-

We depreciate the cost of our vessels on a straight-line basis over the expected useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated residual value. We estimate the useful life of our vessels to be 25 years. Furthermore, we estimate the residual values of our vessels to be based upon the estimated scrap value of the vessels. Effective January 1, 2011, we increased the estimated scrap value of the vessels from $175/lwt to $245/lwt prospectively based on the 15-year average scrap value of steel.

Depreciation and amortization charges increased by $2.9 million during 2012 as compared to 2011 due to the operation of a larger fleet, including the four vessels delivered during 2011.

OTHER OPERATING INCOME-

For the years ended December 31, 2012 and 2011, other operating income was $0.3 million and $0.5 million, respectively. The decrease is due to a $0.2 million decrease in the payment received from Samsun as part of the cash settlement related to the rehabilitation plan approved by the

South Korean courts during 2010. Refer to Note 19 Commitments and Contingencies in our consolidated financial statements for further information regarding the settlement payments.

NET INTEREST EXPENSE-

Net interest expense increased by $1.1 million during 2012 as compared with 2011. Net interest expense during the years ended December 31, 2012 and 2011 consisted of interest expense under our 2007 Credit Facility, $100 Million Term Loan Facility, $253 Million Term Loan Facility and Baltic Trading s $150 million senior secured revolving credit facility as well as interest expense related to the 2010 Notes. Additionally, interest income, unused commitment fees associated with the aforementioned credit facilities as well as the amortization of deferred financing costs related to the aforementioned credit facilities are included in net interest expense during 2012 and 2011.

The increase in net interest expense for the year ended December 31, 2012 versus the year ended December 31, 2011 was primarily a result of the facility fee for the 2007 Credit Facility of 2.0% per annum on the average daily outstanding principal loan amount which was effective December 21, 2011 as per an amendment to the 2007 Credit Facility as well as an increase in the applicable margin for the 2007 Credit Facility which was increased from 2.0% to 3.0% effective August 1, 2012 pursuant to an amendment to the 2007 Credit Facility. These increases were partially offset by the impact of the expiration of interest rate swap agreements during the fourth quarter of 2011 and the first quarter of 2012 and the prepayment of $99.9 million of outstanding debt during August 2012. Refer to Note 9 Long-Term Debt in our consolidated financial statements for more information regarding the facility fee, increase in the applicable margin and the prepayment of outstanding debt. The facility fee of 2.0% was reduced to 1.0% on February 28, 2012 upon the completion of an equity offering of 7,500,000 shares. The increase in net interest expense was also due to interest expense incurred on additional borrowings under the $100 Million Term Loan Facility as a result of the acquisition of three vessels under the facility during the year ended December 31, 2011 as well as an increase in the amortization of deferred financing costs related to amendments to the credit facilities entered into during December 2011 and August 2012.

INCOME TAX EXPENSE-

For the year ended December 31, 2012, income tax expense was $1.2 million as compared to $1.4 million during the year ended December 31, 2011. This income tax expense consists primarily of federal, state and local income taxes on net income earned by Genco Management (USA) Limited (Genco (USA)), one of our wholly-owned subsidiaries. Pursuant to certain agreements, we technically and commercially manage vessels for Baltic Trading, as well as provide technical management of vessels for MEP in exchange for specified fees for these services provided. These services are provided by Genco (USA), which has elected to be taxed as a corporation for United States federal income tax purposes. As such, Genco (USA) is subject to United States federal income tax on its worldwide net income, including the net income derived from providing these services. Refer to the Income taxes section of Note 2 Summary of Significant Accounting Policies included in our consolidated financial statements for further information. The decrease in income tax expense during 2012 as compared to 2011 is primarily due to lower commercial service revenue due to Genco (USA) from Baltic Trading pursuant to the Management Agreement as a result of lower charter rates achieved by Baltic Trading s fleet.

NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST-

For the years ended December 31, 2012 and 2011, net loss attributable to noncontrolling interest was $12.8 million and $0.3 million, respectively. These amounts represent the net loss attributable to the noncontrolling interest of Baltic Trading.

Year ended December 31, 2011 compared to the year ended December 31, 2010

Factors Affecting Our Results of Operations

We believe that the following table reflects important measures for analyzing trends in our results of operations. The table reflects our ownership days, available days, operating days, fleet utilization, TCE rates and daily vessel operating expenses for the years ended December 31, 2011 and 2010 on a consolidated basis, which includes the operations of Baltic Trading.

	For the Years Ended December 31,		**Increase**	
	2011	**2010**	**(Decrease)**	**% Change**
Fleet Data:				
Ownership days (1)				
Capesize	4,015.0	3,595.3	419.7	11.7%
Panamax	2,920.0	2,920.0		

Supramax	7,577.6	4,002.6	3,575.0	89.3%
Handymax	2,190.0	2,190.0		
Handysize	5,194.9	3,569.7	1,625.2	45.5%
Total	21,897.5	16,277.6	5,619.9	34.5%
Available days (2)				
Capesize	3,984.9	3,554.9	430.0	12.1%
Panamax	2,901.7	2,920.0	(18.3)	(0.6)%
Supramax	7,575.7	3,968.2	3,607.5	90.9%
Handymax	2,140.3	2,174.1	(33.8)	(1.6)%
Handysize	5,188.4	3,538.0	1,650.4	46.6%
Total	21,791.0	16,155.2	5,635.8	34.9%
Operating days (3)				
Capesize	3,983.6	3,551.4	432.2	12.2%
Panamax	2,880.2	2,881.3	(1.1)	0.0%
Supramax	7,500.2	3,931.3	3,568.9	90.8%
Handymax	2,119.5	2,122.1	(2.6)	(0.1)%
Handysize	5,143.8	3,527.6	1,616.2	45.8%
Total	21,627.3	16,013.7	5,613.6	35.1%
Fleet utilization (4)				
Capesize	100.0%	99.9%	0.1%	0.1%
Panamax	99.3%	98.7%	0.6%	0.6%
Supramax	99.0%	99.1%	(0.1)%	(0.1)%
Handymax	99.0%	97.6%	1.4%	1.4%
Handysize	99.1%	99.7%	(0.6)%	(0.6)%
Fleet average	99.2%	99.1%	0.1%	0.1%

(U.S. dollars)	For the Years Ended December 31, 2011	2010	Increase (Decrease)	% Change
Average Daily Results:				
Time Charter Equivalent (5)				
Capesize	$ 28,945	$ 41,658	$ (12,713)	(30.5)%
Panamax	21,293	30,934	(9,641)	(31.2)%
Supramax	15,312	20,609	(5,297)	(25.7)%
Handymax	15,676	27,618	(11,942)	(43.2)%
Handysize	11,139	17,727	(6,588)	(37.2)%
Fleet average	17,644	27,419	(9,775)	(35.7)%
Daily vessel operating expenses (6)				
Capesize	$ 5,477	$ 5,516	(39)	(0.7)%
Panamax	4,910	5,067	(157)	(3.1)%
Supramax	4,626	4,513	113	2.5%
Handymax	4,968	4,997	(29)	(0.6)%
Handysize	4,475	4,297	178	4.1%
Fleet average	4,819	4,852	(33)	(0.7)%

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

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

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

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

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

	For the Years Ended December 31, 2011	2010
Voyage revenues (in thousands)	$ 388,929	$ 447,438
Voyage expenses (in thousands)	4,457	4,467
	384,472	442,971
Total available days	21,791.0	16,155.2
Total TCE rate	$ 17,644	$ 27,419

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

Operating Data

The following compares the components of our operating income and net income for the years ended December 31, 2011 and 2010 and certain balance sheet data as of December 31, 2011 and 2010.

	For the Years Ended December 31, 2011	2010	Increase (Decrease)	% Change
Income Statement Data:				
(U.S. dollars in thousands except for per share amounts)				
Revenues:				
Voyage revenue	$ 388,929	$ 447,438	$ (58,509)	(13.1)%
Service revenue	3,285	1,249	2,036	163.0%
Revenues	392,214	448,687	(56,473)	(12.6)%
Operating Expenses:				
Voyage expenses	4,457	4,467	(10)	(0.2)%
Vessel operating expenses	105,514	78,976	26,538	33.6%
General, administrative and management fees	33,928	29,081	4,847	16.7%
Depreciation and amortization	136,203	115,663	20,540	17.8%
Other operating income	(527)	(791)	264	(33.4)%
Total operating expenses	279,575	227,396	52,179	22.9%
Operating income	112,639	221,291	(108,652)	(49.1)%
Other expense	(86,186)	(72,042)	(14,144)	19.6%
Income before income taxes	26,453	149,249	(122,796)	(82.3)%
Income tax expense	(1,385)	(1,840)	455	(24.7)%
Net income	$ 25,068	$ 147,409	(122,341)	(83.0)%
Less: Net (loss) income attributable to noncontrolling interest	(318)	6,166	(6,484)	(105.2)%
Net income attributable to Genco shipping & Trading Limited	$ 25,386	$ 141,243	(115,857)	(82.0)%
Net income per share - basic	$ 0.72	$ 4.28	$ (3.56)	(83.2)%
Net income per share - diluted	$ 0.72	$ 4.07	$ (3.35)	(82.3)%
Dividends declared per share	$	$	$	
Weighted average common shares outstanding Basic	35,179,244	32,987,449	2,191,795	6.6%
Weighted average common shares outstanding Diluted	35,258,205	35,891,373	(633,168)	(1.8)%
Balance Sheet Data:				
(U.S. dollars in thousands, at end of period)				
Cash and cash equivalents	$ 227,968	$ 270,877	(42,909)	(15.8)%
Total assets	3,119,277	3,182,708	(63,431)	(2.0)%
Total debt (current and long-term, including notes payable)	1,694,393	1,746,248	(51,855)	(3.0)%

Total shareholders equity		1,361,618		1,348,153		13,465	1.0%
Other Data:							
(U.S. dollars in thousands)							
Net cash provided by operating activities	$	158,183	$	262,680	$	(104,497)	(39.8)%
Net cash used in investing activities		(133,367)		(870,230)		736,863	(84.7)%
Net cash (used in) provided by financing activities		(67,725)		690,160		(757,885)	(109.8)%
EBITDA (1)	$	249,080	$	330,711	$	(81,631)	(24.7)%

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(1) EBITDA represents net (loss) income attributable to Genco Shipping & Trading plus net interest expense, taxes and depreciation and amortization. Refer to page 39 included in Item 6 where the use of EBITDA is discussed and for a table demonstrating our calculation of EBITDA that provides a reconciliation of EBITDA to net (loss) income attributable to Genco Shipping & Trading for each of the periods presented above.

Results of Operations

VOYAGE REVENUES-

During 2011, voyage revenues decreased by $58.5 million, or 13.1%, as compared to 2010. The decrease in revenue was primarily a result of lower charter rates achieved by the majority of our vessels partially offset by the increase in the size of our fleet and an increase in revenues earned by Baltic Trading s vessels of $10.9 million.

The average TCE rate of our fleet decreased 35.7% to $17,644 a day during 2011 from $27,419 during 2010. The decrease in TCE rates resulted from lower charter rates achieved during 2011 versus 2010 for the majority of the vessels in our fleet.

During 2011, the Baltic Dry Index, or BDI (a drybulk index) went from a low of 1,043 on February 4, 2011 to a high of 2,173 on October 14, 2011. At December 31, 2010, the index was 1,773. In 2012, the index started off at 1,624 on January 3, 2012 and decreased to a low of 660 as of February 7, 2012.

The BDI displayed considerable weakness in the beginning of 2011 due to reduced iron ore cargoes recorded through the celebration of the Chinese New Year, as well as a high level of newbuilding vessel deliveries for January, while continuous pressure was evident through August 2011, primarily due to severe weather in Brazil and Australia affecting cargo availability. A significant rebound was experienced in the remainder of the year with the BDI doubling in value during October 2011. The year 2012 began with seasonal factors contributing to a downturn in rates, including: order timing issues for iron ore cargoes related to the celebration of the Chinese New Year; increased deliveries of newbuilding vessels for the month of January as compared to the previous three months; and short-term weather-related issues in Brazil, temporarily reducing iron ore output.

For 2011 and 2010, we had ownership days of 21,897.5 days and 16,277.6 days, respectively. The increase in ownership days is a result of the delivery of 14 vessels during the third quarter of 2010 and four vessels during the year ended December 31, 2011, as well as a full year of ownership for Baltic Trading s fleet of nine vessels, which were acquired during 2010. Our fleet utilization remained consistent during both periods at 99.2% during 2011 as compared to 99.1% during 2010.

SERVICE REVENUES-

Service revenues consist of revenues earned from providing technical services to MEP pursuant to the agency agreement between us and MEP. These services include oversight of crew management, insurance, drydocking, ship operations and financial statement preparation, but do not include chartering services. The services are provided for a fee of $750 per ship per day. During the years ended December 31, 2011 and 2010, total service revenue was $3.3 million and $1.2 million, respectively. The increase is due to a full year of operation of MEP s fleet during the year ended December 31, 2011.

VOYAGE EXPENSES-

For 2011 and 2010, voyage expenses remained relatively stable at $4.5 million during both periods. Although voyage expenses remained stable, there was a decrease in broker commissions due to lower charter rates achieved by the majority of our vessels in our fleet. This decrease was offset by a decrease in net gains related to bunker fuel for vessels coming off of time charters.

VESSEL OPERATING EXPENSES-

Vessel operating expenses increased by $26.5 million from $79.0 million to $105.5 million primarily due to the operation of a larger fleet. This was primarily a result of the full year of operation of the 14 vessels which were delivered during the third quarter of 2010 as well as the operation of four vessels delivered during the year ended December 31, 2011. Additionally, the increase was due to a full year of operation of Baltic Trading s fleet of 9 vessels that were acquired during 2010, which accounted for $7.8 million of additional vessel operating expenses during 2011 as compared to the prior year. The increase was also related to higher crew expenses, partially offset by lower insurance and lube expenses during 2011 as compared to 2010.

Average daily vessel operating expenses for our fleet decreased by $33 per day from $4,852 during 2010 as compared to $4,819 in 2011. The decrease in daily vessel operating expenses was due to a decrease in lube and insurance related expenses. We believe daily vessel operating expenses are best measured for comparative purposes over a 12-month period in order to take into account all of the expenses that each vessel in our fleet will incur over a full year of operation.

GENERAL, ADMINISTRATIVE AND MANAGEMENT FEES-

General, administrative and management fees increased by $4.8 million during 2011 as compared to 2010. The increase in general and administrative fees was primarily due to rent expense associated with the lease for the new office space which began effective June 1, 2011 as well as an increase in employee stock based compensation. This increase was also due to the increase in expenses associated with the operation of Baltic Trading, which resulted in $0.5 million of additional expenses. Refer to Note 19 Commitments and Contingencies in our consolidated financial statements for further information regarding this lease agreement. Additionally, management fees increased $2.0 million during 2011 as compared to 2010 due to the operation of a larger fleet.

DEPRECIATION AND AMORTIZATION-

Depreciation and amortization charges increased by $20.5 million during 2011 as compared to 2010 due to the operation of a larger fleet, including the 14 vessels delivered during the third quarter of 2010 and four vessels delivered during 2011 as well as the nine Baltic Trading vessels delivered during the year ended December 31, 2010, which accounted for $7.3 million of the increase. Depreciation and amortization charges in 2011 reflected a decrease in depreciation expense of $2.5 million due to the change in estimated salvage value from $175 per lightweight ton to $245 per lightweight ton. Refer to Note 2 Summary of Significant Accounting Policies in our consolidated financial statements for further information regarding this change.

OTHER OPERATING INCOME-

For the years ended December 31, 2011 and 2010, other operating income was $0.5 million and $0.8 million, respectively. The decrease is due to $0.2 million of other operating income recorded during 2010 which represents the payment received from the seller of the Baltic Cougar as a result of the late delivery of the vessel to Baltic Trading. There was no similar other operating income received during 2011.

NET INTEREST EXPENSE-

Net interest expense increased by $14.1 million during 2011 as compared with 2010. Net interest expense during the years ended December 31, 2011 and 2010 consisted of interest expense under our 2007 Credit Facility, $100 Million Term Loan Facility, $253 Million Term Loan Facility and Baltic Trading s $150 million senior secured revolving credit facility as well as interest expense related to the 2010 Notes. Additionally, interest income, unused commitment fees associated with the aforementioned credit facilities as well as the amortization of deferred financing costs related to the aforementioned credit facilities are included in net interest expense during 2011 and 2010. The increase in net interest expense for the year ended December 31, 2011 versus the year ended December 31, 2010 was primarily a result of interest expense incurred on increased borrowings.

INCOME TAX EXPENSE-

For the year ended December 31, 2011, income tax expense was $1.4 million as compared to $1.8 million during the year ended December 31, 2010. This income tax expense consists primarily of federal, state and local income taxes on net income earned by Genco Management (USA) Limited (Genco (USA)), one of our wholly-owned subsidiaries. Pursuant to certain agreements, we technically and commercially manage vessels for Baltic Trading, as well as provide technical management of vessels for MEP in exchange for specified fees for these services provided. These services are provided by Genco (USA), which has elected to be taxed as a corporation for United States federal income tax purposes. As such, Genco (USA) is subject to United States federal income tax on its worldwide net income, including the net income derived from providing these services. Refer to the Income taxes section of Note 2 Summary of Significant Accounting Policies included in our consolidated financial statements for further information. The decrease in income tax expense during 2011 as compared to 2010 is a result of additional income earned by Genco (USA) during 2010. This was due to the 1% purchase fee due to Genco (USA) from Baltic Trading pursuant to the Management Agreement related to the delivery of nine vessels during the year ended December 31, 2010. There were no similar transactions during the year ended December 31, 2011. Income tax expense reflected an increase in service revenue earned during 2011 as compared to 2010 due to a full year of technical management fees earned for MEP and Baltic Trading vessels during 2011.

NET (LOSS) INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST-

For the years ended December 31, 2011 and 2010, net (loss) income attributable to noncontrolling interest was ($0.3) million and $6.2 million, respectively. These amounts represent the net (loss) income attributable to the noncontrolling interest of Baltic Trading, which completed its IPO on March 15, 2010.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have financed our capital requirements with cash flow from operations, equity offerings, convertible notes and bank debt. We have used our funds primarily to fund vessel acquisitions, regulatory compliance expenditures, the repayment of bank debt and the associated interest expense and the payment of dividends. We may consider debt and equity financing alternatives from time to time. However, if market conditions are negative, we may be unable to raise additional equity capital or debt financing on acceptable terms or at all. As a result, we may be unable to pursue acquisition opportunities to expand our business. We anticipate that cash on hand and any internally generated cash flow will be sufficient to fund the operations of our fleet, including our working capital requirements, for the next twelve months.

However, given the current drybulk rate environment, we anticipate that we may be unable to make required payments under our credit facilities commencing March 31, 2014. Moreover, if the current prolonged weakness in drybulk shipping rates does not abate, we may not be in compliance with the maximum leverage ratio and minimum permitted consolidated interest ratio covenants under our credit facilities once current waivers expire after December 31, 2013. Under the terms of the August 2012 amendments to our 2007 Credit Facility, our $253 Million Term Loan Facility, and our $100 Million Term Loan Facility, our next scheduled amortization payments are due in the first quarter of 2014 in the aggregate principal amount of $55.2 million. At the same time, under our credit facilities, we must maintain a minimum cash balance of $39.8 million as measured at each quarter-end, excluding amounts held by Baltic Trading Limited. Given our current cash reserves and current drybulk shipping rates, we believe we may be unable to meet our scheduled amortization payments as early as March 31, 2014. We also believe we may not be in compliance with our minimum cash covenants at or after March 31, 2014, or earlier in the event of sustained weakness in the drybulk shipping sector. We may therefore require capital to fund ongoing operations, acquisitions and debt service. We may seek further waivers or modifications to our credit agreements, which may be unavailable or subject to conditions. We may also seek to refinance our indebtedness or raise additional capital through equity or debt offerings or selling assets (including vessels). We cannot be certain that we will accomplish any such actions.

Currently, our wholly-owned subsidiary Genco Investments LLC owns 5,699,088 shares of Baltic Trading s Class B Stock, which represents a 24.78% ownership interest in Baltic Trading and 83.17% of the aggregate voting power of Baltic Trading s outstanding shares of voting stock. On April 16, 2010, Baltic Trading entered into a $100 million senior secured revolving credit facility with Nordea Bank Finland plc, acting through its New York branch (the 2010 Baltic Trading Credit Facility). The 2010 Baltic Trading Credit Facility was subsequently amended effective November 30, 2010 which increased the borrowing capacity from $100 million to $150 million. The amended 2010 Baltic Trading Credit Facility matures on November 30, 2016. Refer to Note 9 Long-Term Debt of our consolidated financial statements for a description of this facility as well as a description of the amendment entered into effective November 30, 2010. To remain in compliance with a net worth covenant in the 2010 Baltic Trading Credit Facility, Baltic Trading would need to maintain a net worth of $232.8 million after the payment of any dividends. We do not believe these restrictions have a significant impact on our liquidity.

We entered into two secured term loan facilities during August 2010 in order to fund future vessel acquisitions. On August 12, 2010, we entered into a $100 million secured term loan facility (the $100 Million Term Loan Facility) to fund or refund to us a portion of the purchase price of the acquisition of five vessels from companies within the Metrostar group of companies. Additionally, on August 20, 2010, we entered into a $253 million senior secured term loan facility (the $253 Million Term Loan Facility) to fund a portion of the purchase price of the acquisition of 13 vessels from Bourbon. Refer to Note 9 Long-Term Debt in our consolidated financial statements for further information regarding these loan facilities.

On February 28, 2012, we completed an equity offering of 7,500,000 shares of common stock at a purchase price of $7.10 per share. The Company received net proceeds of $49.9 million after deducting underwriters fees and expenses.

On July 21, 2010, in two concurrent public offerings, we sold $125 million aggregate principal amount of the 2010 Notes and 3,593,750 shares of common stock at a purchase price of $15.28 per share, which reflected a price to the public of $16.00 per share less underwriting discounts and commissions of $0.72 per share. Such amounts reflected the exercise in full of the underwriters overallotment options. Refer to Note 10 Convertible Senior Notes of our consolidated financial statements for a summary of the convertible notes payable.

The 2007 Credit Facility, the $253 Million Term Loan Facility, and the $100 Million Term Loan Facility each include a maximum leverage ratio covenant limiting the ratio of our net debt to EBITDA to a maximum of 5.5 to 1. We calculate the leverage ratio under our 2007 Credit Facility, $253 Million Term Loan Facility, and $100 Million Term Loan Facility by dividing our Average Consolidated Net Indebtedness by our Consolidated EBITDA as defined under these facilities. There is no leverage ratio covenant under the Baltic Trading 2010 Credit Facility. Average Consolidated Net Indebtedness is the monthly average of our indebtedness as defined under the facilities, which at December 31, 2012 consisted of long-term debt, the 2010 Notes, cash and cash equivalents (excluding restricted cash) and the letter of credit issued related to leases. On December 21, 2011, we entered agreements which waived the existing maximum leverage ratio covenant, as well as the consolidated interest ratio, for the three aforementioned credit facilities for a period beginning on October 1, 2011 and ending on (and including) March 31, 2013. On August 1, 2012, we entered into agreements which extended these waivers through December 31, 2013 (the August 2012 Agreements).Refer to Note 9

Long-Term Debt in our consolidated financial statements for further information regarding the terms and fees associated with these agreements. The August 2012 Agreements required us to utilize $99.9 million of cash to repay outstanding debt under these facilities and beginning with September 30, 2012, we have implemented a quarterly cash sweep whereby excess cash over $100.0 million will be used to repay debt under the under the 2007 Credit Facility, The debt repayment of $99.9 million and the future cash sweep may limit the amount of available cash for future growth and other working capital needs of the Company.

Pursuant to the current terms of the 2007 Credit Facility, the existing collateral maintenance financial covenant is waived. This covenant required us to maintain pledged vessels with a value equal to at least 130% of our current borrowings, and accelerated the reductions of the total facility which began on March 31, 2009. Please read the description of the 2007 Credit Facility in Note 9 Long-Term Debt of our consolidated financial statements for further details. The collateral maintenance covenant is waived until we can represent that we are in compliance with all of our financial covenants. Under the collateral maintenance covenants of our $253 Million Term Loan Facility, our $100 Million Term Loan Facility, and the 2010 Baltic Trading Credit Facility, the aggregate valuations of our vessels pledged under each facility must at least be a certain percentage of loans outstanding (or, in the case of the Baltic Trading Credit Facility, the total amount we may borrow), which percentages are 135%, 130%, and 140%, respectively. Under our $253 Million Term Loan Facility, the amount payable upon early termination of any interest rate swaps under the facility is added to outstanding loans for purposes of this covenant. If our valuations fall below the applicable percentage, we must provide additional acceptable collateral, repay a portion of our borrowings, or (in the case of the 2010 Baltic Trading Credit Facility) permanently reduce the amount we may borrow under the facility to the extent required to restore our compliance with the applicable covenant. The Company estimates that it would not have been in compliance with the collateral maintenance covenant if the valuation of its collateral under the $100 Million Term Loan Facility as of February 17, 2013 were to decline approximately 2.5%. Additionally, the Company estimates that it would not have been in compliance with the collateral maintenance covenant if the valuation of its collateral under the $253 Million Term Loan Facility as of December 31, 2012 were to decline approximately 5%. If it is likely that we would not be in compliance with this covenant under these two facilities, we expect to pay down sufficient outstanding debt on the facility to meet the covenant requirement utilizing cash and cash equivalents on hand.

Dividend Policy

Historically, our dividend policy, which commenced in November 2005, has been to declare quarterly distributions to shareholders by each February, May, August and November, substantially equal to our available cash from operations during the previous quarter, less cash expenses for that quarter (principally vessel operating expenses and debt service) and any reserves our Board of Directors determines we should maintain. These reserves covered, among other things, drydocking, repairs, claims, liabilities and other obligations, interest expense and debt amortization, acquisitions of additional assets and working capital. In the future, we may incur other expenses or liabilities that would reduce or eliminate the cash available for distribution as dividends. Under the current terms of the 2007 Credit Facility, we are required to suspend the payment of cash dividends until we can represent that we are in a position to satisfy the collateral maintenance covenant. Refer to Note 9 Long-Term Debt in our consolidated financial statements for further information regarding the 2009 Amendment. As such, a dividend has not been declared during 2009, 2010, 2011 or 2012.

As a result of the 2009 Amendment to the 2007 Credit Facility, we have suspended the payment of cash dividends effective for the fourth quarter of 2008, and payment of cash dividends will remain suspended until we can meet the collateral maintenance covenant contained in the 2007 Credit Facility. In addition, under the terms of the August 2012 Agreements, we are prohibited from paying dividends through December 31, 2013.

The declaration and payment of any dividend is subject to the discretion of our Board of Directors and our compliance with the collateral maintenance covenant, which is currently waived. The timing and amount of dividend payments will depend on our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our loan agreements, the provisions of Marshall Islands law affecting the payment of distributions to shareholders and other factors. Our Board of Directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors.

We believe that, under current law, our dividend payments from earnings and profits will constitute qualified dividend income. For 2012, the maximum Federal income tax rate on qualified dividends paid to non-corporate shareholders was 15%. For taxable years beginning after December 31, 2012, the maximum federal income tax rate on qualified dividends paid to non-corporate shareholders is 20%, and all or a portion of dividend income received by shareholders whose modified adjusted gross income exceeds certain thresholds ($250,000 for married taxpayers filing jointly and $200,000 for single taxpayers) may be subject to a 3.8% surtax. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of a U.S. shareholder s tax basis in its common stock on a dollar-for-dollar basis and, thereafter, as capital gain.

Share Repurchase Program

On February 13, 2008, our Board of Directors approved our share repurchase program for up to a total of $50.0 million of our common stock. Share repurchases will be made from time to time for cash in open market transactions at prevailing market prices or in privately negotiated transactions. The timing and amount of purchases under the program were determined by management based upon market conditions and other factors. Purchases may be made pursuant to a program adopted under Rule 10b5-1 under the Securities Exchange Act. The program does not require us to purchase any specific number or amount of shares and may be suspended or reinstated at any time in our discretion and without notice. Repurchases under the program are subject to restrictions under the 2007 Credit Facility. The 2007 Credit Facility was amended as of February 13, 2008 to permit the share repurchase program and provide that the dollar amount of shares repurchased is counted toward the maximum dollar amount of dividends that may be paid in any fiscal quarter. Subsequently, on January 26, 2009, we entered into the 2009 Amendment, which amended the 2007 Credit Facility to require us to suspend all share repurchases until we can represent that we are in a position to again satisfy the collateral maintenance covenant. Refer to Note 9 Long-Term Debt in our consolidated financial statements for further information regarding the 2009 Amendment. Pursuant to the 2009 Amendment, there were no share repurchases made during the twelve months ended December 31, 2012, 2011 and 2010. In addition, under the terms of the August 2012 Agreements, we are prohibited from making share repurchases through December 31, 203.

Since the inception of the share repurchase program through December 31, 2012, we have repurchased and retired 278,300 shares of our common stock for $11.5 million (average per share purchase price of $41.32) using funding from cash generated from operations pursuant to its share repurchase program. An additional 3,130 shares of common stock were repurchased from employees for $0.04 million during 2008 pursuant to our Equity Incentive Plan rather than the share repurchase program. No share repurchases were made during the years ended December 31, 2012, 2011 and 2010, and the maximum dollar amount that may yet be purchased under our share repurchase program is $38,499,962.

Cash Flow

Net cash used in operating activities for the year ended December 31, 2012 was $18.8 million versus $158.2 million of net cash provided by operating activities for the year ended December 31, 2011. The decrease in cash provided by operating activities was primarily due to a net loss of $157.8 million for the year ended December 31, 2012 compared to net income of $25.1 million for the year ended December 31, 2011, which resulted from lower charter rates achieved in 2012 versus 2011 for the majority of the vessels in our fleet.

Net cash used in investing activities for the year ended December 31, 2012 and 2011 was $3.7 million and $133.4 million, respectively. The decrease was primarily due to fewer funds used for purchases of vessels during 2012 compared to 2011. For the year ended December 31, 2012, cash used in investing activities primarily related to the purchase of fixed assets in the amount of $2.1 million and vessel related equipment totaling $1.2 million. For the year ended December 31, 2011, cash used in investing activities predominantly related to purchases of vessels in the amount of $130.3 million.

Net cash used in financing activities was $132.9 million during the year ended December 31, 2012 as compared to $67.7 million during the year ended December 31, 2011. The increase in cash used in financing activities was primarily a result of additional repayments of outstanding debt during 2012 as compared to 2011 including prepaying an aggregate of $99.9 million under agreements to amend our three credit facilities, and drawdowns on the $100 Million Term Loan Facility and the $253 Million Term Loan Facility during 2011 offset by the net proceeds provided by our follow-on offering in February 2012. Cash used in financing activities for the year ended December 31, 2012 consisted of $118.6 million repayment of debt under the 2007 Credit Facility, $40.6 million repayment of debt under the $253 Million Term Loan Facility, $15.4 million repayment of debt under the $100 Million Term Loan Facility, $49.9 million of net proceeds provided by our follow-on offering in February 2012, $4.1 million of deferred financing costs and the $4.1 million dividend payment of our subsidiary, Baltic Trading, to its outside shareholders. Cash used in financing activities for the year ended December 31, 2011 mainly consisted of the following: $102.5 million repayment of debt under the 2007 Credit Facility, $26.9 million repayment of debt under the $253 Million Term Loan Facility, $8.0 million repayment of debt under the $100 Million Term Loan Facility, $4.1 million of deferred financing costs and the $7.6 million dividend payment of our subsidiary, Baltic Trading, to its outside shareholders. Those uses were partially offset by $21.5 million of proceeds from the $253 Million Term Loan Facility related to the Bourbon vessels acquired and $60.0 million of proceeds from the $100 Million Term Loan Facility related to the Metrostar vessels acquired.

Credit Facilities

Refer to Note 9 Long-Term Debt of our consolidated financial statements for a summary of our outstanding credit facilities and a description of the underlying financial and non-financial covenants.

As of December 31, 2012, we believe we are in compliance with all of the financial covenants under our 2007 Credit Facility, as amended; $100 Million Term Loan Facility, as amended; $253 Million Term Loan Facility, as amended and the 2010 Baltic Trading Credit Facility.

Convertible Notes Payable

Refer to Note 10 Convertible Senior Notes of our consolidated financial statements for a summary of the convertible notes payable.

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

At December 31, 2012 and 2011, we had five and eight interest rate swap agreements with DnB NOR Bank, respectively, to manage interest costs and the risk associated with changing interest rates. The total notional principal amount of the swaps is $356.2 million and $606.2 million, respectively, and the swaps have specified rates and durations.

Refer to the table in Note 11 Interest Rate Swap Agreements of our consolidated financial statements, which summarizes the interest rate swaps in place as of December 31, 2012 and 2011.

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

As part of our business strategy, we may enter into arrangements commonly known as forward freight agreements, or FFAs, to hedge and manage market risks relating to the deployment of our existing fleet of vessels. These arrangements may include future contracts, or commitments to perform in the future a shipping service between ship owners, charters and traders. Generally, these arrangements would bind us and each counterparty in the arrangement to buy or sell a specified tonnage freighting commitment forward at an agreed time and price and for a particular route. Although FFAs can be entered into for a variety of purposes, including for hedging, as an option, for trading or for arbitrage, if we decided to enter into FFAs, our objective would be to hedge and manage market risks as part of our commercial management. It is not currently our intention to enter into FFAs to generate a stream of income independent of the revenues we derive from the operation of our fleet of vessels. If we determine to enter into FFAs, we may reduce our exposure to any declines in our results from operations due to weak market conditions or downturns, but may also limit our ability to benefit economically during periods of strong demand in the market. We have not entered into any FFAs as of December 31, 2012 and 2011.

Interest Rates

The effective interest rate associated with the interest expense for our various debt facilities (2007 Credit Facility, $100 Million Term Loan Facility, $253 Million Term Loan Facility and the 2010 Baltic Trading Credit Facility), including the rate differential between the pay fixed receive variable rate on the interest rate swap agreements that were in effect, combined, and the cost associated with unused commitment fees was 4.68% and 4.42% during 2012 and 2011, respectively. The interest rate on the debt, excluding impact of swaps and the unused commitment fees, ranged from 3.21% to 4.63% and from 2.19% to 3.52% for 2012 and 2011, respectively. The effective interest rate associated with the liability component of the 2010 Notes was 10.0% during both 2012 and 2011.

Contractual Obligations

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2012. The table incorporates the employment agreement entered into in September 2007 with our Chief Financial Officer, John Wobensmith. The interest and borrowing fees reflect the 2007 Credit Facility, the 2010 Baltic Trading Credit Facility, the $100 Million Term Loan Facility, the $253 Million Term Loan

Facility and the 2010 Notes utilizing the coupon rate of 5% which were issued on July 27, 2010 and the interest rate swap agreements as discussed above under Interest Rate Swap Agreements, Forward Freight Agreements and Currency Swap Agreements. On August 1, 2012, we entered into the August 2012 Agreements which amended or waived certain provisions of the 2007 Credit Facility, the $100 Million Term Loan Facility and the $253 Million Term Loan Facility. Refer to Note 9 Long-Term Debt in our consolidated financial statements for further information regarding the fees and debt prepayments required as part of the agreements. We have included these amounts in the credit agreement payments and interest and borrowing fees below. The following table also incorporates the future lease payments associated with our two lease agreements. Refer to Note 19 Commitments and Contingencies in our consolidated financial statements for further information regarding the terms of our two lease agreements.

	Total	Less Than One Year	One to Three Years	Three to Five Years	More than Five Years
			(U.S. dollars in thousands)		
Credit Agreements	$ 1,413,439	$	$ 582,988	$ 830,451	$
2010 Notes	125,000		125,000		
Interest and borrowing fees (1)	244,252	73,996	114,664	55,581	11
Executive employment agreement	373	373			
Office leases	26,264	1,500	3,055	3,231	18,478
Totals	$ 1,809,328	$ 75,869	$ 825,707	$ 889,263	$ 18,489

(1) Includes the 1.25% fee payable to lenders under the 2007 Credit Facility due upon the maturity of the facility.

Interest expense has been estimated using the fixed hedge rate for the effective period and notional amount of the debt which is effectively hedged and 0.25% for the portion of the debt that has no designated swap against it, plus the applicable bank margin of 3.00% for the 2007 Credit Facility, $100 Million Term Loan Facility, $253 Million Term Loan Facility and the 2010 Baltic Trading Credit Facility. We are obligated to pay certain commitment fees in connection with all of our credit facilities, which have been reflected within interest and borrowing fees. These commitment fees include the facility fee for the 2007 Credit Facility which represents 1.0% per annum on the average daily outstanding principal amount of the outstanding loans under the facility.

Capital Expenditures

We make capital expenditures from time to time in connection with our vessel acquisitions. Excluding Baltic Trading s vessels, our fleet currently consists of nine Capesize drybulk carriers, eight Panamax drybulk carriers, 17 Supramax drybulk carriers, six Handymax drybulk carriers and 13 Handysize drybulk carriers. Baltic Trading s fleet currently consists of two Capesize drybulk carriers, four Supramax drybulk carriers and three Handysize drybulk carriers.

In addition to acquisitions that we may undertake in future periods, we will incur additional capital expenditures due to special surveys and drydockings. We estimate our drydocking costs and scheduled off-hire days for our fleet, excluding Baltic Trading s vessels, through 2014 to be:

Genco Shipping & Trading Limited

Year	Estimated Drydocking Cost (U.S. dollars in millions)		Estimated Off-hire Days
2013	$	6.9	180
2014	$	12.0	320

The costs reflected are estimates based on drydocking our vessels in China. Actual costs will vary based on various factors, including where the drydockings are actually performed. We expect to fund these costs with cash from operations.

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

During 2012, we incurred a total of $10.2 million of drydocking costs.

During 2011, we incurred a total of $4.0 million of drydocking costs.

We estimate that 9 of our vessels will be drydocked during 2013 and an additional 16 vessels in 2014.

In addition to acquisitions that we may undertake in future periods, we will incur additional capital expenditures due to special surveys and drydockings. We estimate our drydocking costs and scheduled off-hire days for our Baltic Trading s fleet through 2014 to be:

Baltic Trading Limited

Year		Estimated Drydocking Cost (U.S. dollars in millions)	Estimated Off-hire Days
2013	$		
2014	$	3.6	100

The costs reflected are estimates based on drydocking our vessels in China. Actual costs will vary based on various factors, including where the drydockings are actually performed. We expect to fund these costs with cash from operations.

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

During 2012 and 2011, Baltic Trading did not incur drydocking costs.

We estimate that none of Baltic Trading s vessels will be drydocked during 2013and five vessels will be drydocked in 2014.

Off-Balance Sheet Arrangements

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

Inflation

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

CRITICAL ACCOUNTING POLICIES

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

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

<u>Time Charters Acquired</u>

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

During the year ended December 31, 2011, we acquired two Handysize vessels from Metrostar that had existing below market time charters at the time that we agreed to acquire these vessels. We recorded a liability for time charters acquired related to these two vessels in the amount of $0.6 million based on the present value of the difference between the contractual amounts to be paid and our estimated of the fair market charter rate. In order to calculate the present value, we utilized a discount rate of 12%. If we utilized a discount rate of 9% as compared to 12%, it would result in an increase in the liability balance of approximately nine thousand dollars. If we utilized a discount rate of 15% as compared to 12%, it would result in a decrease in the liability balance of approximately nine thousand dollars.

During the year ended December 31, 2010, we acquired two Supramax vessels from Bourbon and two Handysize vessels from Metrostar that had existing below market time charters at the time that we agreed to acquire these vessels. We recorded a liability for time charters acquired related to these four vessels in the amount of $2.1 million based on the present value of the difference between the contractual amounts to be paid and our estimate of the fair market charter rate. In order to calculate the present value, we utilized a discount rate of 12%. If we utilized a discount rate of 9% as compared to 12%, it would result in an increase in the liability balance of approximately thirty-five thousand dollars. If we utilized a discount rate of 15% as compared to 12%, it would result in a decrease in the liability balance of approximately thirty-three thousand dollars.

Performance Claims

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

Vessels and Depreciation

We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel and expenditures made to prepare the vessel for its initial voyage) less accumulated depreciation. We depreciate our drybulk vessels on a straight-line basis over their estimated useful lives, estimated to be 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less the estimated residual scrap value. Effective January 1, 2011, we increased the estimated scrap value of the vessels from $175/lwt to $245/lwt prospectively based on the 15-year average scrap value of steel. This increase in the residual value of the vessels will decrease the annual depreciation charge over the remaining useful life of the vessel. During the years ended December 31, 2012 and 2011, the increase in the estimated scrap value resulted in a decrease in depreciation expense of approximately $2.5 million both years. Similarly, an increase in the useful life of a drybulk vessel would also decrease the annual depreciation charge. Comparatively, a decrease in the useful life of a drybulk vessel or in its residual value would have the effect of increasing the annual depreciation charge. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, we will adjust the vessel s useful life to end at the date such regulations preclude such vessel s further commercial use.

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

Pursuant to our bank credit facilities, we regularly submit to the lenders valuations of our vessels on an individual charter free basis in order to evidence our compliance with the collateral maintenance covenants under our bank credit facilities. Such a valuation is not necessarily the same as the amount any vessel may bring upon sale, which may be more or less, and should not be relied upon as such. We were in compliance with the collateral maintenance covenants under our $100 Million Term Loan Facility and our $253 Million Term Loan Facility, as well as the 2010 Baltic Trading Credit Facility, at December 31, 2012, and the collateral maintenance covenant under our 2007 Credit Facility was waived at December 31, 2012, as discussed above. In the chart below, we list each of our vessels, the year it was built, the year we acquired it, and its carrying value at December 31, 2012 and 2011.

At December 31, 2012 and 2011, the vessel valuations of all of our vessels for covenant compliance purposes under our bank credit facilities as of the most recent compliance testing date were lower than their carrying values at December 31, 2012 and 2011, respectively. For the Genco Ocean, Genco Bay, Genco Avra and Genco Spirit, the last compliance testing date prior to December 31, 2012 and 2011 was August 17, 2012 and 2011, respectively, in accordance with the terms of the $100 Million Term Loan Facility; for all other vessels, the compliance testing date was December 31, 2012 and 2011, respectively, in accordance with the terms of the applicable credit facility.

The amount by which the carrying value at December 31, 2012 of all of the vessels in our fleet exceeded the valuation of such vessels for covenant compliance purposes ranged, on an individual basis, from $5.2 million to $76.8 million per vessel, and $1,494.2 million on an aggregate fleet basis. The amount by which the carrying value at December 31, 2011 of all of the vessels in our fleet exceeded the valuation of such vessels for covenant compliance purposes ranged, on an individual vessel basis, from $2.2 million to $73.8 million per vessel, and $1,215.9 million on an aggregate fleet basis. The average amount by which the carrying value of these vessels exceeded the valuation of such vessels for covenant compliance purposes was $24.1 million as of December 31, 2012 and $19.6 million as of December 31, 2011. However, neither such valuation nor the carrying value in the table below reflects the value of long-term time charters related to some of our vessels.

Vessels	Year Built	Year Acquired	Carrying Value (U.S. dollars in thousands) as of December 31, 2012	2011
2007 Credit Facility				
Genco Reliance	1999	2004	$ 15,314	$ 16,496
Genco Vigour	1999	2004	20,953	22,516
Genco Explorer	1999	2004	15,180	16,382
Genco Carrier	1998	2004	15,454	16,731
Genco Sugar	1998	2004	14,181	15,386
Genco Pioneer	1999	2005	15,021	16,249
Genco Progress	1999	2005	15,186	16,397
Genco Wisdom	1997	2005	14,584	15,843
Genco Success	1997	2005	14,512	15,762
Genco Beauty	1999	2005	21,099	22,654
Genco Knight	1999	2005	20,820	22,403
Genco Leader	1999	2005	20,757	22,381
Genco Marine	1996	2005	13,810	15,241
Genco Prosperity	1997	2005	14,691	16,057
Genco Muse	2001	2005	20,767	22,167
Genco Acheron	1999	2006	20,617	22,306
Genco Surprise	1998	2006	19,583	21,129
Genco Augustus	2007	2007	103,137	108,286
Genco Tiberius	2007	2007	103,325	108,471
Genco London	2007	2007	104,685	109,689
Genco Titus	2007	2007	105,182	110,188
Genco Challenger	2003	2007	32,185	34,206
Genco Charger	2005	2007	35,481	37,431
Genco Warrior	2005	2007	51,888	54,814
Genco Predator	2005	2007	53,293	56,287
Genco Hunter	2007	2007	57,409	59,931
Genco Champion	2006	2008	37,051	39,027
Genco Constantine	2008	2008	110,334	115,556
Genco Raptor	2007	2008	75,299	79,056
Genco Cavalier	2007	2008	61,548	64,599
Genco Thunder	2007	2008	75,469	79,166
Genco Hadrian	2008	2008	108,377	113,264
Genco Commodus	2009	2009	110,825	115,690
Genco Maximus	2009	2009	110,805	115,634
Genco Claudius	2010	2009	112,517	117,359
TOTAL			$ 1,741,339	$ 1,834,754
$100 Million Term Loan Facility				
Genco Bay	2010	2010	31,333	32,645
Genco Ocean	2010	2010	31,390	32,683
Genco Avra	2011	2011	32,487	33,790
Genco Mare	2011	2011	32,386	33,668
Genco Spirit	2011	2011	33,020	34,302
TOTAL			$ 160,616	$ 167,088
$253 Million Term Loan Facility				
Genco Aquitaine	2009	2010	33,007	34,418
Genco Ardennes	2009	2010	33,168	34,588
Genco Auvergne	2009	2010	33,136	34,531
Genco Bourgogne	2010	2010	33,111	34,492
Genco Brittany	2010	2010	33,177	34,553
Genco Languedoc	2010	2010	33,344	34,726
Genco Loire	2009	2010	30,172	31,478
Genco Lorraine	2009	2010	29,864	31,166
Genco Normandy	2007	2010	27,582	28,857

Genco Picardy	2005	2010	27,152	28,603
Genco Provence	2004	2010	26,772	28,249
Genco Pyrenees	2010	2010	33,095	34,453
Genco Rhone	2011	2011	34,725	36,107
TOTAL			$ 408,305	$ 426,221
2010 Baltic Trading Credit Facility				
Baltic Leopard	2009	2009	31,671	33,033
Baltic Panther	2009	2010	31,748	33,111
Baltic Cougar	2009	2010	31,898	33,261
Baltic Jaguar	2009	2010	31,809	33,162
Baltic Bear	2010	2010	66,450	69,153
Baltic Wolf	2010	2010	66,196	68,839
Baltic Wind	2009	2010	30,386	31,695
Baltic Cove	2010	2010	30,711	31,992
Baltic Breeze	2010	2010	31,274	32,551
TOTAL			$ 352,143	$ 366,797
Consolidated Total			$ 2,662,403	$ 2,794,860

Deferred drydocking costs

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

Impairment of long-lived assets

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

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

When indicators of impairment are present and our estimate of undiscounted future cash flows for any vessel is lower than the vessel s carrying value, the carrying value is written down, by recording a charge to operations, to the vessel s fair market value if the fair market value is lower than the vessel s carrying value. We noted that TCE revenues across its fleet were lower on average in 2012 compared with 2011. Our management views the lower TCE rates in 2012 as part of a longer term economic cycle.

We concluded at December 31, 2012 that the future income streams expected to be earned by such vessels over their remaining operating lives on an undiscounted basis would be sufficient to recover their carrying values and that, accordingly, our vessels were not impaired under U.S. GAAP. Our estimated future undiscounted cash flows exceeded each of our vessels carrying values by a considerable margin (approximately 31% - 400% of carrying value). Our vessels remain fully utilized and have a relatively long average remaining useful life of approximately 18.0 years in which to recover sufficient cash flows on an undiscounted basis to recover their carrying values as of December 31, 2012. Management will continue to monitor developments in charter rates in the markets in which it participates with respect to the expectation of future rates over an extended period of time that are utilized in the analyses.

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

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

Vessel Class	Percentage Decline from Ten-Year Historical One-Year Time Charter Average at Which Point Impairment Would be Recorded As of December 31, 2012	As of December 31, 2011
Capesize	(50.6)%	(50.2)%
Panamax	(31.5)%	(30.6)%
Supramax	(29.0)%	(29.8)%
Handymax	(45.7)%	(41.9)%
Handysize	(13.5)%	(11.0)%

Our time charter equivalent (TCE) rates for our fiscal years ended December 31, 2012 and 2011, respectively, were above or (below) the ten year historical one-year time charter average as of such dates as follows:

Vessel Class	TCE Rates as Compared with Ten-Year Historical One-Year Time Charter Average (as percentage above/(below)) As of December 31, 2012	As of December 31, 2011
Capesize	(70.4)%	(39.6)%
Panamax	(65.9)%	(18.2)%
Supramax	(59.1)%	(32.1)%
Handymax	(59.2)%	(20.0)%
Handysize	(46.4)%	(26.4)%

The projected net operating cash flows are determined by considering the future charter revenues from existing time charters for the fixed fleet days and an estimated daily time charter equivalent for the unfixed days over the estimated remaining life of the vessel, assumed to be 25 years from the delivery of the vessel from the shipyard, reduced by brokerage commissions, expected outflows for vessels maintenance and vessel operating expenses (including planned drydocking and special survey expenditures) and capital expenditures adjusted annually for inflation, assuming fleet utilization of 98%. The salvage value used in the impairment test is estimated to be $245 per light weight ton, consistent with our vessels depreciation policy discussed above.

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

Investments

We hold an investment in the capital stock of Jinhui Shipping and Transportation Limited (Jinhui). Jinhui is a drybulk shipping owner and operator focused on the Supramax segment of drybulk shipping. This investment 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 AOCI. We classify the investment as a current or noncurrent asset based on our intent to hold the investment at each reporting date.

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

During the fourth quarter of 2008, our investment in Jinhui was deemed to be other-than-temporarily impaired due to the severity of the decline in its market value versus our cost basis. We recorded a $103.9 million impairment loss during 2008 which was reclassified from the consolidated statement of equity and recorded as a loss in the consolidated statement of operations. We will continue to evaluate the investment on a quarterly basis to determine the likelihood of any further significant adverse effects on the fair value and amount of any additional impairment. In the event we determine that the Jinhui investment is subject to any additional other-than-temporary impairment, the amount of the impairment would be reclassified from the consolidated statement of equity and recorded as a loss in the consolidated statement of operations for the amount of the impairment.

Fair value of financial instruments

The estimated fair values of our financial instruments such as amounts due to / due from charterers, accounts payable and long-term debt, approximate their individual carrying amounts as of December 31, 2012 and December 31, 2011 due to their short-term maturity or the variable-rate nature of the respective borrowings under the credit facilities.

The fair value of the interest rate swaps is the estimated amount we would receive to terminate these agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty for assets and creditworthiness of us for liabilities. See Note 13 - Fair Value of Financial Instruments in our consolidated financial statements for additional disclosure on the fair values of long term debt, derivative instruments, 2010 Notes and available-for-sale securities.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

We are exposed to the impact of interest rate changes. Our objective is to manage the impact of interest rate changes on our earnings and cash flow in relation to our borrowings. We held five and eight interest rate swap agreements with DnB NOR Bank at December 31, 2012 and 2011, respectively, to manage future interest costs and the risk associated with changing interest rates. The total notional principal amount of the swaps is $356.2 million and $606.2 million, respectively, and the swaps have specified rates and durations. Refer to the table in Note 11 Interest Rate Swap Agreements of our consolidated financial statements which summarizes the interest rate swaps in place as of December 31, 2012 and 2011.

The swap agreements, with effective dates prior to December 31, 2012 synthetically convert variable rate debt to fixed rate debt at the fixed interest rate of swap plus the Applicable Margin as discussed in the 2007 Credit Facility section of Note 9 Long-Term Debt of our consolidated financial statements.

The total liability associated with the swaps at December 31, 2012 is $16.1 million and $25.3 million at December 31, 2011, and are presented as the fair value of derivatives on the balance sheet. As of December 31, 2012 and 2011, we have accumulated other comprehensive deficit of ($16.1) million and ($25.2) million, respectively, related to the effectively hedged portion of the swaps. Hedge ineffectiveness associated with the interest rate swaps resulted in other income (expense) of $0.1 million and during 2012 and 2011. At December 31, 2012, ($9.6) million of

AOCI is expected to be reclassified into income over the next 12 months associated with interest rate derivatives.

We are subject to market risks relating to changes in LIBOR rates because we have significant amounts of floating rate debt outstanding. For the year ended December 31, 2011, we paid LIBOR plus 2.00% on the 2007 Credit Facility for the debt in excess of any designated swap s notional amount for such swap s effective period. Effective December 21, 2011, we are also subject to a facility fee of 2.00% per annum on the average daily outstanding principal amount of the outstanding loan under the 2007 Credit Facility pursuant to the amendment entered into with our lenders under this facility which was reduced to 1.0% on February 28, 2012 when we consummated an equity offering resulting in gross proceeds of $53.3 million. Additionally, effective August 1, 2012, the applicable margin over LIBOR for the 2007 Credit Facility increased from 2.00% to 3.00% pursuant to the August 2012 Agreements. Refer to Note 9 Long-Term Debt in our consolidated financial statements for further information regarding these amendments. We also paid LIBOR plus 3.00% on the outstanding debt under the $100 Million Term Loan Facility, $253 Million Term Loan Facility and the 2010 Baltic Trading Credit Facility during the years ended December 31, 2012 and 2011. A 1% increase in LIBOR would result in an increase of $11.3 million in interest expense for the year ended December 31, 2012, considering the increase would be only on the unhedged portion of the debt.

Derivative financial instruments

As of December 31, 2012, we held five interest rate swap agreements that we entered into with DnB NOR Bank to manage interest costs and the risk associated with changing interest rates. The total notional principal amount of the swaps is $356.2 million, and the swaps have specified rates and durations. Refer to the table in Note 9 Long-Term Debt of our consolidated financial statements which summarized the interest rate swaps in place as of December 31, 2012 and December 31, 2011.

The differential to be paid or received for these swap agreements is recognized as an adjustment to interest expense as incurred. The interest rate differential pertaining to the interest rate swaps for the years ended December 31, 2012 and 2011 was $13.4 million and $28.9 million, respectively. We are currently utilizing cash flow hedge accounting for the swaps whereby the effective portion of the change in value of the swaps is reflected as a component of AOCI. The ineffective portion is recognized as other (expense) income, which is a component of other (expense) income. If for any period of time we did not designate the swaps for hedge accounting, the change in the value of the swap agreements prior to designation would be recognized as other (expense) income.

Amounts receivable or payable arising at the settlement of hedged interest rate swaps are deferred and amortized as an adjustment to interest expense over the period of interest rate exposure provided the designated liability continues to exist. Amounts receivable or payable arising at the settlement of unhedged interest rate swaps are reflected as other (expense) income and are listed as a component of other (expense) income.

Refer to the Interest rate risk section above for further information regarding the interest rate swap agreements.

Currency and exchange rate risk

The international shipping industry s functional currency is the U.S. Dollar. Virtually all of our revenues and most of our operating costs are in U.S. Dollars. We incur certain operating expenses in currencies other than the U.S. Dollar, and the foreign exchange risk associated with these operating expenses is immaterial.

As part of our business strategy, in the future, we may enter into short-term forward currency contracts to protect ourselves from the risk arising from the fluctuation in the exchange rate associated with the cost basis of Jinhui shares.

Investments

We hold investments in Jinhui of $21.0 million which are classified as available for sale (AFS) under Accounting Standards Codification 320-10, Investments Debt and Equity Securities (ASC 320-10). The investment is classified as a current or noncurrent asset based on our intent to hold the investment at each reporting date. The investments that are classified as AFS are subject to risk of changes in market value, which if determined to be impaired (other than temporarily impaired), could result in realized impairment losses. We review the carrying value of such investments on a quarterly basis to determine if any valuation adjustments are appropriate under ASC 320-10. During 2008, we reviewed the investment in Jinhui for indicators of other-than-temporary impairment. This determination required significant judgment. In making this judgment, we evaluated, among other factors, the duration and extent to which the fair value of the investment is less than its cost; the general market conditions, including factors such as industry and sector performance, and our intent and ability to hold the investment. Our investment in Jinhui was deemed to be other-than-temporarily impaired at December 31, 2008 due to the severity of the decline in its market value versus our cost basis. We will continue to evaluate the investment on a quarterly basis to determine the likelihood of any further significant adverse effects on the fair value and amount of any additional impairment. For the years ended December 31, 2012 and 2011, we have not deemed our investment to be impaired. In the event we determine that the Jinhui investment is subject to any additional impairment, the amount of the impairment would be reclassified from AOCI and recorded as a loss in the Consolidated Statement of Operations for the amount of the impairment.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Genco Shipping & Trading Limited

Consolidated Financial Statements as of December 31, 2012 and 2011 and for the Years Ended December 31, 2012, 2011 and 2010

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Genco Shipping & Trading Limited

New York, New York

We have audited the accompanying consolidated balance sheets of Genco Shipping & Trading Limited and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, comprehensive (loss) income, equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Genco Shipping & Trading Limited and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2013 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

New York, New York
March 1, 2013

Genco Shipping & Trading Limited

Consolidated Balance Sheets as of December 31, 2012 and December 31, 2011

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

	December 31, 2012		December 31, 2011	
Assets				
Current assets:				
Cash and cash equivalents	$	72,600	$	227,968
Due from charterers, net		11,714		13,688
Prepaid expenses and other current assets		18,146		17,709
Total current assets		102,460		259,365
Noncurrent assets:				
Vessels, net of accumulated depreciation of $597,214 and $464,518, respectively		2,662,403		2,794,860
Deferred drydock, net of accumulated amortization of $8,086 and $11,111, respectively		12,037		6,934
Other assets, net of accumulated amortization of $13,162 and $7,749, respectively		29,561		17,795
Fixed assets, net of accumulated depreciation and amortization of $3,311 and $2,422, respectively		5,258		5,591
Other noncurrent assets		514		514
Restricted cash		10,150		9,750
Investments		20,988		24,468
Total noncurrent assets		2,740,911		2,859,912
Total assets	$	2,843,371	$	3,119,277
Liabilities and Equity				
Current liabilities:				
Accounts payable and accrued expenses	$	23,667	$	30,712
Current portion of long-term debt				185,077
Deferred revenue		1,324		4,227
Current portion of lease obligations		682		
Fair value of derivative instruments		7		1,686
Total current liabilities		25,680		221,702
Noncurrent liabilities:				
Long-term lease obligations		2,465		1,823
Time charters acquired		418		1,164
Fair value of derivative instruments		16,045		23,654
Convertible senior note payable		110,918		106,381
Long-term interest payable		13,199		
Long-term debt		1,413,439		1,402,935
Total noncurrent liabilities		1,556,484		1,535,957
Total liabilities		1,582,164		1,757,659
Commitments and contingencies				
Equity:				
Genco Shipping & Trading Limited shareholders equity:				
Common stock, par value $0.01; 100,000,000 shares authorized; issued and outstanding 44,270,273 and 36,307,598 shares at December 31, 2012 and December 31, 2011, respectively		443		363
Additional paid-in capital		863,303		809,443

Accumulated other comprehensive loss		(11,841)		(17,549)
Retained earnings		214,391		359,349
Total Genco Shipping & Trading Limited shareholders equity		1,066,296		1,151,606
Noncontrolling interest		194,911		210,012
Total equity		1,261,207		1,361,618
Total liabilities and equity	$	2,843,371	$	3,119,277

See accompanying notes to consolidated financial statements.

Genco Shipping & Trading Limited

Consolidated Statements of Operations for the Years Ended December 31, 2012, 2011 and 2010

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

	For the Years Ended December 31, 2012	2011	2010
Revenues:			
Voyage revenues	$ 223,159	$ 388,929	$ 447,438
Service revenues	3,294	3,285	1,249
Total revenues	226,453	392,214	448,687
Operating expenses:			
Voyage expenses	7,009	4,457	4,467
Vessel operating expenses	114,318	105,514	78,976
General, administrative and management fees	35,673	33,928	29,081
Depreciation and amortization	139,063	136,203	115,663
Other operating income	(265)	(527)	(791)
Total operating expenses	295,798	279,575	227,396
Operating (loss) income	(69,345)	112,639	221,291
Other (expense) income:			
Other expense	(29)	(80)	(77)
Interest income	378	616	685
Interest expense	(87,558)	(86,722)	(72,650)
Other expense	(87,209)	(86,186)	(72,042)
(Loss) income before income taxes	(156,554)	26,453	149,249
Income tax expense	(1,222)	(1,385)	(1,840)
Net (loss) income	(157,776)	25,068	147,409
Less: Net (loss) income attributable to noncontrolling interest	(12,848)	(318)	6,166
Net (loss) income attributable to Genco Shipping & Trading Limited	$ (144,928)	$ 25,386	$ 141,243
Net (loss) income per share-basic	$ (3.47)	$ 0.72	$ 4.28
Net (loss) income per share-diluted	$ (3.47)	$ 0.72	$ 4.07
Weighted average common shares outstanding-basic	41,727,075	35,179,244	32,987,449
Weighted average common shares outstanding-diluted	41,727,075	35,258,205	35,891,373
Dividends declared per share	$	$	$

See accompanying notes to consolidated financial statements.

Genco Shipping & Trading Limited

Consolidated Statements of Comprehensive (Loss) Income

For the Years Ended December 31, 2012, 2011 and 2010

(U.S. Dollars in Thousands)

	For the Years Ended December 31, 2012	2011	2010
Net (loss) income	$ (157,776)	$ 25,068	$ 147,409
Change in unrealized gain on investments	(3,480)	(30,246)	(17,466)
Unrealized gain (loss) on cash flow hedges, net	9,188	17,907	(1,333)
Other comprehensive income (loss)	5,708	(12,339)	(18,799)
Comprehensive (loss) income	(152,068)	12,729	128,610
Less: Comprehensive (loss) income attributable to noncontrolling interests	(12,848)	(318)	6,166
Comprehensive (loss) income attributable to Genco Shipping & Trading Limited	$ (139,220)	$ 13,047	$ 122,444

See accompanying notes to consolidated financial statements.

Genco Shipping & Trading Limited

Consolidated Statements of Equity

For the Years Ended December 31, 2012, 2011 and 2010

(U.S. Dollars in Thousands)

	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, 2010	$ 318	$ 722,198	$ 13,589	$ 192,820	$ 928,925	$	$ 928,925
Net income				141,243	141,243	6,166	147,409
Change in unrealized gain on investments			(17,466)		(17,466)		(17,466)
Unrealized loss on cash flow hedges, net			(1,333)		(1,333)		(1,333)
Issuance of 3,593,750 shares of common stock	36	54,846			54,882		54,882
Issuance of convertible senior notes		23,457			23,457		23,457
Issuance of 514,650 shares of nonvested stock	5	(5)					
Nonvested stock amortization		4,327			4,327	2,892	7,219
Cash dividends paid by Baltic Trading Limited				(41)	(41)	(5,329)	(5,370)
Issuance of common stock of Baltic Trading Limited		(1,045)			(1,045)	211,475	210,430
Balance December 31, 2010	$ 359	$ 803,778	$ (5,210)	$ 334,022	$ 1,132,949	$ 215,204	$ 1,348,153
Net income (loss)				25,386	25,386	(318)	25,068
Change in unrealized gain on investments			(30,246)		(30,246)		(30,246)
Unrealized gain on cash flow hedges, net			17,907		17,907		17,907
Issuance of 357,500 shares of nonvested stock, less forfeitures of 1,100 shares	4	(4)					
Nonvested stock amortization		5,574			5,574	2,764	8,338
Cash dividends paid by Baltic Trading Limited				(59)	(59)	(7,543)	(7,602)
Vesting of restricted shares issued by Baltic Trading Limited		95			95	(95)	

Balance December 31, 2011	$ 363	$ 809,443	$ (17,549)	$ 359,349	$ 1,151,606	$ 210,012	$ 1,361,618
Net loss				(144,928)	(144,928)	(12,848)	(157,776)
Change in unrealized gain on investments			(3,480)		(3,480)		(3,480)
Unrealized gain on cash flow hedges, net			9,188		9,188		9,188
Issuance of 7,500,000 shares of common stock	75	49,799			49,874		49,874
Issuance of 464,175 shares of nonvested stock, less forfeitures of 1,500 shares	5	(5)					
Nonvested stock amortization		4,087			4,087	1,777	5,864
Cash dividends paid by Baltic Trading Limited				(30)	(30)	(4,051)	(4,081)
Vesting of restricted shares issued by Baltic Trading Limited		(21)			(21)	21	
Balance December 31, 2012	$ 443	$ 863,303	$ (11,841)	$ 214,391	$ 1,066,296	$ 194,911	$ 1,261,207

See accompanying notes to consolidated financial statements.

Genco Shipping & Trading Limited

Consolidated Statements of Cash Flows for the Years Ended December 31, 2012, 2011 and 2010

(U.S. Dollars in Thousands)

	Year ended December 31, 2012	2011	2010
Cash flows from operating activities:			
Net (loss) income	$ (157,776)	$ 25,068	$ 147,409
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation and amortization	139,063	136,203	115,663
Amortization of deferred financing costs	5,413	3,188	1,967
Amortization of time charters acquired	(746)	(1,611)	(4,560)
Amortization of discount on Convertible Senior Notes	4,537	4,072	1,684
Unrealized gain on derivative instruments	(100)	(51)	(66)
Amortization of nonvested stock compensation expense	5,864	8,338	7,219
Change in assets and liabilities:			
Decrease (increase) in due from charterers	1,974	(4,894)	(6,677)
Increase in prepaid expenses and other current assets	(437)	(3,721)	(3,804)
Increase in other noncurrent assets		(514)	
(Decrease) increase in accounts payable and accrued expenses	(4,880)	1,091	10,048
Decrease in deferred revenue	(2,903)	(6,139)	(2,465)
Increase (decrease) in lease obligations	1,324	1,166	(30)
Deferred drydock costs incurred	(10,167)	(4,013)	(3,708)
Net cash (used in) provided by operating activities	(18,834)	158,183	262,680
Cash flows from investing activities:			
Purchase of vessels	(1,155)	(130,328)	(971,203)
Deposits on vessels			(13,702)
Changes in deposits of restricted cash	(400)	(750)	8,500
Proceeds from sale of vessels			106,555
Purchase of other fixed assets	(2,114)	(2,289)	(380)
Net cash used in investing activities	(3,669)	(133,367)	(870,230)
Cash flows from financing activities:			
Repayments on the 2007 Credit Facility	(118,588)	(102,500)	(50,000)
Proceeds from the $100 Million Term Loan Facility		60,000	40,000
Repayments on the $100 Million Term Loan Facility	(15,385)	(8,011)	(1,120)
Proceeds from the $253 Million Term Loan Facility		21,500	231,500
Repayments on the $253 Million Term Loan Facility	(40,600)	(26,916)	(4,691)
Proceeds from the Baltic Trading 2010 Credit Facility			101,250
Proceeds from issuance of common stock	50,721		55,200
Payment of common stock issuance costs	(847)		(318)
Proceeds from issuance of Convertible Senior Notes			125,000
Payment of Convertible Senior Notes issuance costs		(51)	(867)
Proceeds from issuance of common stock by subsidiary			214,508
Payment of subsidiary common stock issuance costs			(3,721)
Payment of dividend by subsidiary	(4,081)	(7,603)	(5,369)
Payment of deferred financing costs	(4,085)	(4,144)	(11,212)
Net cash (used in) provided by financing activities	(132,865)	(67,725)	690,160
Net (decrease) increase in cash and cash equivalents	(155,368)	(42,909)	82,610
Cash and cash equivalents at beginning of year	227,968	270,877	188,267
Cash and cash equivalents at end of year	$ 72,600	$ 227,968	$ 270,877

See accompanying notes to consolidated financial statements.

Genco Shipping & Trading Limited

(U.S. Dollars in Thousands)

Notes to Consolidated Financial Statements for the Years Ended December 31, 2012, 2011 and 2010

1 - GENERAL INFORMATION

The accompanying consolidated financial statements include the accounts of Genco Shipping & Trading Limited (GS&T), its wholly-owned subsidiaries, and its subsidiary, Baltic Trading Limited (collectively, the Company). The Company is engaged in the ocean transportation of drybulk cargoes worldwide through the ownership and operation of drybulk carrier vessels. GS&T is incorporated under the laws of the Marshall Islands and as of December 31, 2012 is the sole owner of all of the outstanding shares of the following subsidiaries: Genco Ship Management LLC; Genco Investments LLC; Genco Management (USA) Limited; Genco RE Investments LLC; and the ship-owning subsidiaries as set forth below.

At December 31, 2012, 2011 and 2010, GS&T s fleet consisted of 53, 53 and 49 vessels, respectively.

Below is the list of GS&T s wholly owned ship-owning subsidiaries as of December 31, 2012:

Wholly Owned Subsidiaries	Vessel	Dwt	Date Delivered	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
Genco Hunter Limited	Genco Hunter	58,729	12/20/07	2007
Genco Champion Limited	Genco Champion	28,445	1/2/08	2006
Genco Constantine Limited	Genco Constantine	180,183	2/21/08	2008
Genco Raptor LLC	Genco Raptor	76,499	6/23/08	2007
Genco Cavalier LLC	Genco Cavalier	53,617	7/17/08	2007
Genco Thunder LLC	Genco Thunder	76,588	9/25/08	2007
Genco Hadrian Limited	Genco Hadrian	169,694	12/29/08	2008
Genco Commodus Limited	Genco Commodus	169,025	7/22/09	2009
Genco Maximus Limited	Genco Maximus	169,025	9/18/09	2009
Genco Claudius Limited	Genco Claudius	169,025	12/30/09	2010
Genco Bay Limited	Genco Bay	34,296	8/24/10	2010
Genco Ocean Limited	Genco Ocean	34,409	7/26/10	2010
Genco Avra Limited	Genco Avra	34,391	5/12/2011	2011
Genco Mare Limited	Genco Mare	34,428	7/20/2011	2011
Genco Spirit Limited	Genco Spirit	34,432	11/10/2011	2011

Genco Aquitaine Limited	Genco Aquitaine	57,981	8/18/10	2009
Genco Ardennes Limited	Genco Ardennes	57,981	8/31/10	2009
Genco Auvergne Limited	Genco Auvergne	57,981	8/16/10	2009
Genco Bourgogne Limited	Genco Bourgogne	57,981	8/24/10	2010
Genco Brittany Limited	Genco Brittany	57,981	9/23/10	2010
Genco Languedoc Limited	Genco Languedoc	57,981	9/29/10	2010
Genco Loire Limited	Genco Loire	53,416	8/4/10	2009
Genco Lorraine Limited	Genco Lorraine	53,416	7/29/10	2009
Genco Normandy Limited	Genco Normandy	53,596	8/10/10	2007
Genco Picardy Limited	Genco Picardy	55,257	8/16/10	2005
Genco Provence Limited	Genco Provence	55,317	8/23/10	2004
Genco Pyrenees Limited	Genco Pyrenees	57,981	8/10/10	2010
Genco Rhone Limited	Genco Rhone	58,018	3/29/2011	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 December 31, 2012 and 2011, Genco Investments LLC owned 5,699,088 shares of Baltic Trading s Class B Stock, which represented a 24.78% and 25.11% ownership interest in Baltic Trading, respectively, and 83.17% and 83.41% 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 2010 Equity Incentive Plan.

Below is the list of Baltic Trading s wholly owned ship-owning subsidiaries as of December 31, 2012:

Baltic Trading s Wholly Owned Subsidiaries	**Vessel**	**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

The Company provides technical services for drybulk vessels purchased by Maritime Equity Partners (MEP). Peter C. Georgiopoulos, Chairman of the Board of Directors of GS&T, controls and has a minority interest in MEP. These services include oversight of crew management, insurance, drydocking, ship operations and financial statement preparation, but do not include chartering services. The services are provided for a fee of $750 per ship per day plus reimbursement of out-of-pocket costs and will be 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. Peter C. Georgiopoulos, the Company s Chairman of the Board, is a minority investor in MEP.

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

On July 27, 2010, the Company closed on an equity offering of 3,593,750 shares of common stock (with the exercise of the underwriters over-allotment option) at an offering price of $16.00 per share. The Company received net proceeds of $54,882 after deducting underwriters fees and expenses. This offering was done concurrently with the issuance of $125,000 aggregate principal amount (with the exercise of the underwriters over-allotment option) of the 5.00% Convertible Senior Notes due August 15, 2015. Refer to Note 10 Convertible Senior Notes for further information.

Mr. Georgiopoulos is the sole member of the Management Committee of Fleet Acquisition LLC, which currently retains 443,606 shares of the Company s common stock of which Mr. Georgiopoulos may be deemed to be the beneficial owner. As a result of the foregoing transaction in addition to grants of nonvested shares made to Mr. Georgiopoulos, Mr. Georgiopoulos may be deemed to beneficially own 10.63% of the Company s common stock (including shares held through Fleet Acquisition LLC) at December 31, 2012.

Given the current drybulk rate environment, the Company may be unable to make required payments under its credit facilities commencing during the quarter ending March 31, 2014. Moreover, if the current prolonged weakness in drybulk shipping rates does not abate, the Company may not be in compliance with the maximum leverage ratio and minimum permitted consolidated interest ratio covenants under our credit facilities once current waivers expire and are re-measured at March 31, 2014. The Company is also subject to minimum cash covenants for which compliance is measured at the end of every fiscal quarter. These covenants have not been waived and it is possible that the Company will not be in compliance with such covenants at or after March 31, 2014, or earlier in the event of sustained weakness in the drybulk shipping sector. The Company s debt facilities are described further in Note 9 - Long-Term Debt.

The Company may seek further waivers or modifications to its credit agreements, which may be subject to conditions, and may also seek to refinance indebtedness or raise additional capital through equity or debt offerings or selling assets (including vessels). Absent such waivers or modifications, if the Company does not comply with such payment obligations or these covenants and fail to cure such non-compliance following applicable notice and expiration of applicable cure periods, the Company may be in default of one or more of its credit facilities. If such a default occurs, the Company may also be in default under the Indenture for the 5.00% Convertible Senior Notes (discussed in Note 10 Convertible Senior Notes). As a result, some or all of the Company s indebtedness could be declared immediately due and payable and alternative sources of financing would need to be sought on terms that may not be favorable to the Company.

In addition, notwithstanding the waiver of certain covenants as described above, for purposes of preparing financial statements in each future fiscal quarter, the Company is required to test compliance with the original covenants at all quarterly measurement dates in accordance with GAAP. Under the Company s credit facilities, March 31, 2014 is the first date following expiration of the waivers on which compliance with the original covenants will be measured. If the Company would not have been in compliance with the original covenants absent the waivers received and it is probable the Company would not be in compliance at measurement dates within the following twelve months, indebtedness under this facility would be required to be reclassified as a current liability in such quarter. Any such reclassification would not affect the existing waivers.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

Business geographics

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

Vessel acquisitions

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

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

Segment reporting

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

Revenue and voyage expense recognition

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

In time charters, spot market-related time charters and pool agreements, operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel and specified voyage costs such as fuel and port charges are paid by the charterer. There are certain other non-specified voyage expenses such as commissions which are typically borne by the Company. At the inception of a time charter, the Company records the difference between the cost of bunker fuel delivered by the terminating charterer and the bunker fuel sold to the new charterer as a gain or loss within voyage expenses. These differences in bunkers resulted in net gains of $1,714, $2,653 and $1,743 during the years ended December 31, 2012, 2011 and 2010, respectively. Additionally, voyage expenses include the cost of bunkers consumed during short-term time charters pursuant to the terms of the time charter agreement.

The Company records time charter revenues over the term of the charter as service is provided. Revenues are recognized on a straight-line basis as the average revenue over the term of the respective time charter agreement. The Company recognizes voyage expenses when incurred.

Two of the Company s vessels, the Genco Constantine and Genco Hadrian, were chartered under time charters which included a profit-sharing element. These time charters ended during August 2012 and October 2012, respectively. Under these charter agreements, the Company received a fixed rate of $53 and $65 per day, respectively, and an additional profit-sharing payment. The profit-sharing between the Company and the respective charterer for each 15-day period was calculated by taking the average over that period of the published Baltic Cape Index of the four time charter routes as reflected in daily reports. If such average was more than the base rate payable under the charter, the excess amount was allocable 50% to the Company and 50% to the charterer. The profit sharing amount due to the Company was net of a 3.75% commission. Profit sharing revenue was recorded when the average of the published Baltic Capesize Index for the four time charter routes was available for the entire 15-day period, which is when the profit sharing revenue was fixed and determinable.

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

At December 31, 2012 and 2011, five of the Company s vessels were in vessel pools. The Genco Explorer, Genco Pioneer, Genco Progress, Genco Reliance and Genco Sugar entered the Lauritzen Pool during August 2009. Vessel pools, such as the Lauritzen Pool, provide cost-effective commercial management activities for a group of similar class vessels. The pool arrangement provides the benefits of a large-scale operation, and chartering efficiencies that might not be available to smaller fleets. Under the pool arrangement, the vessels operate under a time charter agreement whereby the cost of bunkers and port expenses are borne by the pool and operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. Since the members of the pool share in the revenue less voyage expenses generated by the entire group of vessels in the pool, and the pool operates in the spot market, the revenue earned by these vessels is subject to the fluctuations of the spot market. The Company recognizes revenue from these pool arrangements based on its portion of the net distributions reported by the relevant pool, which represents the net voyage revenue of the pool after voyage expenses and pool manager fees.

Other operating income

During the years ended December 31, 2012, 2011 and 2010, the Company recorded other operating income of $265, $527 and $791 respectively. Other operating income recorded during the years ended December 31, 2012, 2011 and 2010 consists of $263, $527 and $585, respectively, related to the first three installments due on December 30, 2012, 2011 and 2010, respectively, from Samsun Logix Corporation (Samsun) pursuant to the rehabilitation plan which was approved by the South Korean courts. Other operating income during the year ended December 31, 2012 also included $2 related to the first installment due on December 30, 2012 from Korea Line Corporation (KLC) pursuant to the rehabilitation plan which was approved by the South Korean courts. Refer to Note 19 Commitments and Contingencies for further information regarding the bankruptcy settlements with Samsun and KLC.

Additionally, other operating income during the year ended December 31, 2010 consists of $206 related to a payment received from the seller of the Baltic Cougar as a result of the late delivery of the vessel to Baltic Trading.

Due from charterers, net

Due from charterers, net includes accounts receivable from charters, net of the provision for doubtful accounts. At each balance sheet date, the Company records the provision based on a review of all outstanding charter receivables. Included in the standard time charter contracts with the Company s customers are certain performance parameters which, if not met, can result in customer claims. As of December 31, 2012 and 2011, the Company had a reserve of $488 and $906, respectively, against the due from charterers balance and an additional accrual of $407 and $762, respectively, in deferred revenue, each of which is primarily associated with estimated customer claims against the Company including vessel performance issues under time charter agreements.

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

Vessel operating expenses

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

Vessels, net

Vessels, net is stated at cost less accumulated depreciation. Included in vessel costs are acquisition costs directly attributable to the acquisition of a vessel and expenditures made to prepare the vessel for its initial voyage. The Company also capitalizes interest costs for a vessel under construction as a cost 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 years ended December 31, 2012, 2011 and 2010 was $133,111, $130,080, and $109,839, 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 cost of steel times the weight of the ship noted in lightweight tons (lwt). Effective January 1, 2011, the Company increased the estimated scrap value of the vessels from $175/lwt to $245/lwt prospectively based on the 15-year average scrap value of steel. The change in the estimated scrap value will result in a decrease in depreciation expense over the remaining life of the vessel assets. During the years ended December 31, 2012 and 2011, the increase in the estimated scrap value resulted in a decrease in depreciation expense of $2,476 and

$2,479, respectively. The decrease in depreciation expense resulted in a $0.06 and $0.07 change to the basic and diluted net (loss) income per share during the years ended December 31, 2012 and 2011, respectively. The basic and diluted net (loss) income per share would have been ($3.53) and $0.65 per share, respectively, if there had been no change in the estimated scrap value.

Fixed assets, net

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

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

Depreciation and amortization expense for fixed assets for the years ended December 31, 2012, 2011 and 2010 was $888, $507 and $501, respectively.

Deferred drydocking costs

The Company s vessels are required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are operating. The Company defers the costs associated with the drydockings as they occur and amortizes these costs on a straight-line basis over the period between drydockings. Costs deferred as part of a vessel s drydocking include actual costs incurred at the drydocking yard; cost of travel, lodging and subsistence of personnel sent to the drydocking site to supervise; and the cost of hiring a third party to oversee the drydocking. If the vessel is drydocked earlier than originally anticipated, any remaining deferred drydock costs that have not been amortized are expensed at the beginning of the next drydock. Amortization expense for drydocking for the years ended December 31, 2012, 2011 and 2010 was $5,064, $5,617, and $5,324, respectively. All other costs incurred during drydocking are expensed as incurred.

Impairment of long-lived assets

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

For the years ended December 31, 2012, 2011 and 2010, no impairment charges were recorded on the Company s long-lived assets.

Deferred financing costs

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

Cash and cash equivalents

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

Investments

The Company holds an investment in the capital stock of Jinhui Shipping and Transportation Limited (Jinhui). Jinhui is a drybulk shipping owner and operator focused on the Supramax segment of drybulk shipping. This investment is designated as Available For Sale (AFS) and is reported at fair value, with unrealized gains and losses recorded in shareholders equity as a component of accumulated other comprehensive (loss) income (AOCI). The Company classifies the investment as a current or noncurrent asset based on the Company s intent to hold the investment at each reporting date.

Investments are reviewed quarterly to identify possible other-than-temporary impairment in accordance with ASC Subtopic 320-10, Investments Debt and Equity Securities (ASC 320-10). When evaluating its investments, the Company reviews factors such as the length of time and extent to which fair value has been below the cost basis, the financial condition of the issuer, the underlying net asset value of the issuers assets and liabilities, and the Company s ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value. Should the decline in the value of any investment be deemed to be other-than-temporary, the investment basis would be written down to fair market value, and the write-down would be recorded to earnings as a loss. Refer to Note 6 Investments.

Income taxes

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

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

Based on the publicly traded requirement of the Section 883 regulations, GS&T believes that it qualified for exemption from income tax on income derived from the international operations of ships for 2012, 2011 and 2010. In order to meet the publicly traded requirement, GS&T s stock must be treated as being primarily and regularly traded for more than half the days of any such year. Under the Section 883 regulations, GS&T s qualification for the publicly traded requirement may be jeopardized if shareholders of the Company s common stock that own five percent or more of the Company s stock (5% shareholders) own, in the aggregate, 50% or more of the Company s common stock for more than half the days of the year. Management believes that during 2012, 2011 and 2010, the combined ownership of its 5% shareholders did not equal 50% or more of its common stock for more than half the days of 2012, 2011 and 2010, as applicable.

If GS&T does not qualify for the exemption from tax under Section 883, it would be subject to a 4% tax on the gross shipping income (without the allowance for any deductions) that is treated as derived from sources within the United States or United States source shipping income. For these purposes, shipping income means any income that is derived from the use of vessels, from the hiring or leasing of vessels for use, or from the performance of services directly related to those uses; and United States source shipping income includes 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States.

Baltic Trading is also incorporated in the Marshall Islands. However, Baltic Trading did not qualify for an exemption under Section 883 upon consummation of its IPO because it did not satisfy the publicly traded requirement as described above. Since Baltic Trading s IPO was completed on March 15, 2010, the Company has indirectly owned shares of Baltic Trading s Class B Stock which has provided the Company with over 50% of the combined voting power of all classes of Baltic Trading s voting stock during 2012, 2011 and 2010. As such, Baltic Trading is subject to income tax on its United States source income. During the years ended December 31, 2012, 2011 and 2010, Baltic Trading had United States operations which resulted in United States source income of $1,379, $3,062 and $2,541. Baltic Trading s United States income tax expense for the years ended December 31, 2012, 2011 and 2010 was $28, $34 and $78, respectively.

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 years ended December 31, 2012, 2011 and 2010 was $6,110, $6,309 and $6,739, respectively, of which $2,816, $3,024 and $5,490, respectively, eliminated upon consolidation. After allocation of certain expenses, there was taxable income of $2,655 associated with these activities for the year ended December 31, 2012. This resulted in estimated tax expense of $1,194 for the year ended December 31, 2012. After allocation of certain expenses, there was taxable income of $2,787 associated with these activities for the year ended December 31, 2011. This resulted in estimated tax expense of $1,351 for the year ended December 31, 2011. After allocation of certain expenses, there was taxable income of $3,913 associated with these activities for the year ended December 31, 2010. This resulted in estimated tax expense of $1,762 for the year ended December 31, 2010.

Deferred revenue

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

Comprehensive income

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

Nonvested stock awards

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

Accounting estimates

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

Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk are amounts due from charterers, cash and cash equivalents, deposits on vessels and interest rate swap agreements. With respect to amounts due from charterers, the Company attempts to limit its credit risk by performing ongoing credit evaluations and, when deemed necessary, requires letters of credit, guarantees or collateral. The Company earned 100% of revenues from 43 customers in 2012, 32 customers in 2011 and 33 customers in 2010. Management does not believe significant risk exists in connection with the Company s concentrations of credit at December 31, 2012 and 2011.

For the year ended December 31, 2012, there was one customer that individually accounted for more than 10% of voyage revenues, Cargill International S.A., which represented 31.27% of voyage revenues. For the year ended December 31, 2011 there were two customers that individually accounted for more than 10% of voyage revenues, Cargill International S.A. and Swissmarine Services S.A., which represented 30.00% and 12.23% of voyage revenues, respectively. For the year ended December 31, 2010 there were two customers that individually accounted for more than 10% of voyage revenues, Cargill International S.A. and Pacific Basin Chartering Ltd., which represented 29.26% and 11.43% of voyage revenues, respectively.

At December 31, 2012 and 2011, the Company maintains all of its cash and cash equivalents with four and five financial institutions, respectively. None of the Company s cash and cash equivalent balances is covered by insurance in the event of default by these financial institutions.

At December 31, 2012 and 2011, the Company has five and eight interest rate swap agreements, respectively, with DnB NOR Bank ASA to manage interest costs and the risk associated with changing interest rates related to the 2007 Credit Facility. None of the interest rate swap agreements are covered by insurance in the event of default by this financial institution.

Fair value of financial instruments

The estimated fair values of the Company s financial instruments such as amounts due to / due from charterers, accounts payable and long-term debt, approximate their individual carrying amounts as of December 31, 2012 and 2011 due to their short-term maturity or the variable-rate nature of the respective borrowings under the credit facilities.

The fair value of the interest rate swaps is the estimated amount the Company would receive or have to pay in order to terminate these agreements at the reporting date, taking into account current interest rates and the creditworthiness of the counterparty for assets and creditworthiness of the Company for liabilities. See Note 13 - Fair Value of Financial Instruments for additional disclosure on the fair values of long term debt, convertible senior notes, derivative instruments, and AFS securities.

Derivative financial instruments

Interest rate risk management

The Company is exposed to the impact of interest rate changes. The Company s objective is to manage the impact of interest rate changes on its earnings and cash flow in relation to borrowings primarily for the purpose of acquiring drybulk vessels. These borrowings are subject to a variable borrowing rate. The Company uses pay-fixed receive-variable interest rate swaps to manage future interest costs and the risk associated with changing interest rate obligations. These swaps are designated as cash flow hedges of future variable rate interest payments and are tested for effectiveness on a quarterly basis. Refer to Note 11 Interest Rate Swap Agreements for further information regarding the interest rate swaps held by the Company.

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

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

Recent accounting pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02) to improve the transparency of changes in other comprehensive income (OCI) and items reclassified out of AOCI. The amendments in ASU 2013-02 are required to be applied retrospectively and are effective for reporting periods beginning after December 15, 2012. The adoption of ASU 2013-02 will not have any impact on the Company s consolidated financial statements other than separately disclosing in the footnotes to the consolidated financial statements amounts reclassified out of AOCI and the individual line items in the consolidated Statement of Operations that are affected.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820) Fair Value Measurement (ASU 2011-04) to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements, particularly for Level 3 fair value measurements. This standard was effective for interim and annual periods beginning after December 15, 2011 and is applied on a prospective basis. The Company has adopted ASU 2011-04 and the impact of adoption was not material to the Company s consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220), Presentation of Comprehensive Income (ASU 2011-05) to require an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. The standard does not change the items that must be reported for other comprehensive income, how such items are measured or when they must be reclassified to net income. This standard was effective for interim and annual periods beginning after December 15, 2011 was to be applied retrospectively. The FASB has deferred the requirement to present reclassification adjustments for each component of AOCI in both net income and other comprehensive income. Companies are required to either present amounts reclassified out of other comprehensive income on the face of the financial statements or disclose those amounts in the notes to the financial statements. During the deferral period, there is no requirement to separately present or disclose the reclassification adjustments into net income. The effective date of this deferral will be consistent with the effective date of ASU 2011-05. The Company has adopted ASU 2011-05 and disclosed comprehensive income in our consolidated statements of comprehensive (loss) income. This guidance only affects financial statement presentation and has no impact on the Company s consolidated results of operations, financial position and cash flows.

3 - SEGMENT INFORMATION

The Company determines its reportable segments based on the information utilized by the chief operating decision maker to assess performance. Based on this information, the Company has 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. Segment results are evaluated based on net income. The accounting policies applied to the reportable segments are the same as those used in the preparation of the Company s consolidated financial statements. Information about the Company s reportable segments for the years ended December 31, 2012, 2011 and 2010 are as follows:

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 years ended December 31, 2012, 2011 and 2010.

	For the years ended December 31,		
	2012	2011	2010
Voyage Revenue from External Customers			