

GENCO SHIPPING & TRADING LTD

Form 10-Q

November 13, 2015

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period from _____ to _____

Commission file number 001-33393

GENCO SHIPPING & TRADING LIMITED

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(Exact name of registrant as specified in its charter)

Republic of the Marshall Islands
(State or other jurisdiction of
incorporation or organization)

98-043-9758
(I.R.S. Employer
Identification No.)

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

(Address of principal executive offices) (Zip Code)

(646) 443-8550

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

The number of shares outstanding of each of the issuer's classes of common stock, as of November 13, 2015: Common stock, \$0.01 per share 72,898,234 shares.

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Website Information

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

Table of Contents**PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**Genco Shipping & Trading Limited**

Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2014

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

(Unaudited)

	Successor September 30, 2015	Successor December 31, 2014 (restated)
Assets		
Current assets:		
Cash and cash equivalents	\$ 44,478	\$ 83,414
Restricted cash	9,750	9,750
Due from charterers, net of a reserve of \$1,217 and \$1,588, respectively	14,139	14,739
Prepaid expenses and other current assets	22,505	22,423
Total current assets	90,872	130,326
Noncurrent assets:		
Vessels, net of accumulated depreciation of \$90,104 and \$36,258, respectively	1,501,714	1,532,843
Deposits on vessels	10,183	25,593
Deferred drydock, net of accumulated amortization of \$2,196 and \$330, respectively	14,656	6,234
Deferred financing costs, net of accumulated amortization of \$2,417 and \$729, respectively	10,948	10,271
Fixed assets, net of accumulated depreciation and amortization of \$319 and \$119, respectively	1,115	701
Other noncurrent assets	514	514
Restricted cash	315	19,945
Investments	17,900	26,486
Total noncurrent assets	1,557,345	1,622,587
Total assets	\$ 1,648,217	\$ 1,752,913
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 33,899	\$ 28,217
Current portion of long-term debt	44,242	34,324
Deferred revenue	1,016	1,397
Total current liabilities	79,157	63,938
Noncurrent liabilities:		
Long-term lease obligations	969	390
Long-term debt	418,036	395,811
Total noncurrent liabilities	419,005	396,201

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Total liabilities	498,162	460,139
Commitments and contingencies		
Equity:		
Genco Shipping & Trading Limited shareholders' equity:		
Successor Company common stock, par value \$0.01; 250,000,000 shares authorized; issued and outstanding 72,898,234 and 61,541,389 shares at September 30, 2015 and December 31, 2014, respectively	728	615
Successor Company additional paid-in capital	1,477,035	1,251,197
Accumulated other comprehensive loss	(17)	(25,317)
Retained deficit	(327,691)	(182,294)
Total Genco Shipping & Trading Limited shareholders' equity	1,150,055	1,044,201
Noncontrolling interest		248,573
Total equity	1,150,055	1,292,774
Total liabilities and equity	\$ 1,648,217	\$ 1,752,913

See accompanying notes to condensed consolidated financial statements.

Table of Contents**Genco Shipping & Trading Limited**

Condensed Consolidated Statements of Operations

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

(Unaudited)

	Successor				Predecessor	
	Three Months Ended September 30, 2015		Period from July 9 to September 30, 2014		Period from July 1 to July 9, 2014 (restated)	
Revenues:						
Voyage revenues	\$	49,167	\$	43,943	\$	4,034
Service revenues		828		756		72
Total revenues		49,995		44,699		4,106
Operating expenses:						
Voyage expenses		6,638		2,335		200
Vessel operating expenses		31,544		27,248		2,902
General, administrative and management fees		26,983		15,492		6,147
Depreciation and amortization		20,124		17,356		3,213
Other operating income				(296)		
Total operating expenses		85,289		62,135		12,462
Operating loss		(35,294)		(17,436)		(8,356)
Other (expense) income:						
Impairment of investment		(32,536)				
Other (expense) income		(653)		7		1
Interest income		22		19		
Interest expense		(4,876)		(3,592)		(1,529)
Other expense		(38,043)		(3,566)		(1,528)
Loss before reorganization items, net		(73,337)		(21,002)		(9,884)
Reorganization items, net		(174)		(1,167)		(895,534)
Loss before income taxes		(73,511)		(22,169)		(905,418)
Income tax expense		(292)		(393)		(38)
Net loss		(73,803)		(22,562)		(905,456)
Less: Net loss attributable to noncontrolling interest		(7,178)		(4,272)		(53,935)
Net loss attributable to Genco Shipping & Trading Limited	\$	(66,625)	\$	(18,290)	\$	(851,521)

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Net loss per share-basic	\$	(0.95)	\$	(0.30)	\$	(19.54)	
Net loss per share-diluted	\$	(0.95)	\$	(0.30)	\$	(19.54)	
Weighted average common shares outstanding-basic		69,824,338		60,299,766		43,568,942	
Weighted average common shares outstanding-diluted		69,824,338		60,299,766		43,568,942	
Dividends declared per share	\$		\$		\$		

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Operations

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

(Unaudited)

	Successor		Predecessor
	Nine Months Ended September 30, 2015	Period from July 9 to September 30, 2014	Period from January 1 to July 9, 2014 (restated)
Revenues:			
Voyage revenues	\$ 116,548	\$ 43,943	\$ 118,759
Service revenues	2,457	756	1,701
Total revenues	119,005	44,699	120,460
Operating expenses:			
Voyage expenses	14,775	2,335	4,140
Vessel operating expenses	90,143	27,248	64,670
General, administrative and management fees	73,798	15,492	31,371
Depreciation and amortization	58,933	17,356	75,952
Other operating income		(296)	
Impairment of vessel assets	35,396		
Loss on sale of vessels	1,210		
Total operating expenses	274,255	62,135	176,133
Operating loss	(155,250)	(17,436)	(55,673)
Other (expense) income:			
Impairment of investment	(32,536)		
Other (expense) income	(707)	7	(106)
Interest income	71	19	45
Interest expense	(13,887)	(3,592)	(41,061)
Other expense	(47,059)	(3,566)	(41,122)
Loss before reorganization items, net	(202,309)	(21,002)	(96,795)
Reorganization items, net	(1,006)	(1,167)	(915,640)
Loss before income taxes	(203,315)	(22,169)	(1,012,435)
Income tax expense	(1,553)	(393)	(815)
Net loss	(204,868)	(22,562)	(1,013,250)
Less: Net loss attributable to noncontrolling interest	(59,471)	(4,272)	(62,101)
Net loss attributable to Genco Shipping & Trading Limited	\$ (145,397)	\$ (18,290)	\$ (951,149)
Net loss per share-basic	\$ (2.29)	\$ (0.30)	\$ (21.83)
Net loss per share-diluted	\$ (2.29)	\$ (0.30)	\$ (21.83)
Weighted average common shares outstanding-basic	63,615,181	60,299,766	43,568,942

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Weighted average common shares outstanding-diluted	63,615,181	60,299,766	43,568,942
Dividends declared per share	\$	\$	\$

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Comprehensive Loss

(U.S. Dollars in Thousands)

(Unaudited)

	Successor				Predecessor	
	Three Months Ended September 30, 2015		Period from July 9 to September 30, 2014		Period from July 1 to July 9, 2014 (restated)	
Net loss	\$	(73,803)	\$	(22,562)	\$	(905,456)
Change in unrealized gain (loss) on investments		26,343		(13,341)		2,186
Unrealized gain on cash flow hedges, net						95
Other comprehensive income (loss)		26,343		(13,341)		2,281
Comprehensive loss		(47,460)		(35,903)		(903,175)
Less: Comprehensive loss attributable to noncontrolling interest		(7,178)		(4,272)		(53,935)
Comprehensive loss attributable to Genco Shipping & Trading Limited	\$	(40,282)	\$	(31,631)	\$	(849,240)

	Successor			Predecessor		
	Nine Months Ended September 30, 2015		Period from July 9 to September 30, 2014		Period from January 1 to July 9, 2014 (restated)	
Net loss	\$	(204,868)	\$	(22,562)	\$	(1,013,250)
Change in unrealized gain (loss) on investments		25,300		(13,341)		(25,766)
Unrealized gain on cash flow hedges, net						2,401
Other comprehensive income (loss)		25,300		(13,341)		(23,365)
Comprehensive loss		(179,568)		(35,903)		(1,036,615)
Less: Comprehensive loss attributable to noncontrolling interest		(59,471)		(4,272)		(62,101)
Comprehensive loss attributable to Genco Shipping & Trading Limited	\$	(120,097)	\$	(31,631)	\$	(974,514)

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Equity

(U.S. Dollars in Thousands)

(Unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained (Deficit) Earnings	Genco Shipping & Trading Limited Shareholders Equity	Noncontrolling Interest	Total Equity
Balance January 1, 2015 (Successor)	\$ 615	\$ 1,251,197	\$ (25,317)	\$ (182,294)	\$ 1,044,201	\$ 248,573	\$ 1,292,774
Net loss				(145,397)	(145,397)	(59,471)	(204,868)
Other comprehensive income			25,300		25,300		25,300
Settlement of non-accredited Note holders		(414)			(414)		(414)
Equity effect of purchase of entities under common control		590			590		590
Issuance of 11,287,132 shares to Baltic Trading shareholders	113	(113)					
Elimination of non-controlling interest due to Merger		194,375			194,375	(194,375)	
Nonvested stock amortization		31,400			31,400	5,273	36,673
Balance September 30, 2015 (Successor)	\$ 728	\$ 1,477,035	\$ (17)	\$ (327,691)	\$ 1,150,055	\$	\$ 1,150,055
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained (Deficit) Earnings (restated)	Genco Shipping & Trading Limited Shareholders	Noncontrolling Interest (restated)	Total Equity (restated)

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		Equity (restated)													
Balance	January 1, 2014 (Predecessor)	\$	445	\$	846,658	\$	53,722	\$	66,644	\$	967,469	\$	341,336	\$	1,308,805
Net loss									(951,149)		(951,149)		(62,101)		(1,013,250)
Unrealized loss on investments									(25,766)		(25,766)				(25,766)
Unrealized gain on cash flow hedges, net									2,401		2,401				2,401
Nonvested stock amortization					2,403						2,403		1,949		4,352
Cash dividends paid by Baltic Trading Limited					(5)						(5)		(2,041)		(2,046)
Vesting of restricted shares issued by Baltic Trading Limited					74						74		(74)		
Subtotal	July 9, 2014 (Predecessor)	\$	445	\$	849,130	\$	30,357	\$	(884,505)	\$	(4,573)	\$	279,069	\$	274,496
Fresh-start adjustments:															
Cancellation of Predecessor common stock and accumulated deficit			(445)		(849,130)				884,505		34,930				34,930
Elimination of Predecessor accumulated other comprehensive income							(30,357)				(30,357)				(30,357)
Issuance of new equity interest in connection with emergence from Chapter 11, including the \$100 Million Rights Offering 60,299,757 shares			603		1,232,397						1,233,000				1,233,000
Balance	July 9, 2014 (Successor)	\$	603	\$	1,232,397	\$		\$		\$	1,233,000	\$	279,069	\$	1,512,069
Net loss									(18,290)		(18,290)		(4,272)		(22,562)
Unrealized loss on investments							(13,341)				(13,341)				(13,341)
Issuance of 1,110,600 shares of nonvested stock			11		(11)										

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Nonvested stock amortization		7,054		7,054		818		7,872						
Cash dividends paid by Baltic Trading Limited		(1)		(1)		(511)		(512)						
Balance September 30, 2014 (Successor)	\$	614	\$	1,239,439	\$	(13,341)	\$	(18,290)	\$	1,208,422	\$	275,104	\$	1,483,526

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Cash Flows

(U.S. Dollars in Thousands)

(Unaudited)

	Successor		Predecessor
	For the Nine	Period from	Period from
	Months Ended	July 9 to	January 1 to
	September 30,	September 30,	July 9,
	2015	2014	2014
			(restated)
Cash flows from operating activities:			
Net loss	\$ (204,868)	\$ (22,562)	\$ (1,013,250)
Adjustments to reconcile net loss to net cash used in operating activities:			
Non-cash reorganization items and fresh-start reporting adjustments, net			880,408
Depreciation and amortization	58,933	17,356	75,952
Amortization of deferred financing costs	1,688	384	4,461
Amortization of time charters acquired		434	(68)
Amortization of discount on Convertible Senior Notes			1,592
Interest expense related to the de-designation of the interest rate swap			1,048
Amortization of nonvested stock compensation expense	36,673	7,872	4,352
Impairment of vessel assets	35,396		
Loss on disposal of vessels	900		
Impairment of investment	32,536		
Realized loss on sale of investment	662		
Change in assets and liabilities:			
Decrease (increase) in due from charterers	600	(2,400)	1,047
(Increase) decrease in prepaid expenses and other current assets	(89)	5,519	(11,735)
Increase (decrease) in accounts payable and accrued expenses	8,266	(27,998)	32,534
Decrease in deferred revenue	(381)	(104)	(600)
Increase in lease obligations	579	186	195
Deferred drydock costs incurred	(10,288)	(2,977)	(9,253)
Net cash used in operating activities	(39,393)	(24,290)	(33,317)
Cash flows from investing activities:			
Purchase of vessels, including deposits	(46,129)	(918)	(29,995)
Purchase of other fixed assets	(586)	(30)	(415)
Sale of AFS securities	688		
Changes in deposits of restricted cash	19,630	125	(125)
Net cash used in investing activities	(26,397)	(823)	(30,535)
Cash flows from financing activities:			
Repayments on the \$100 Million Term Loan Facility	(5,769)	(1,923)	(3,846)
Repayments on the \$253 Million Term Loan Facility	(16,875)		(10,150)
Proceeds from the 2015 Revolving Credit Facility	35,000		
Repayments on the \$44 Million Term Loan Facility	(2,063)	(688)	(1,375)

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Proceeds from the \$148 Million Credit Facility	131,500			
Repayments on the \$148 Million Credit Facility	(4,894)			
Repayments on the 2010 Credit Facility	(102,250)			
Repayments on the \$22 Million Term Loan Facility	(1,125)	(375)		(750)
Repayments on the 2014 Term Loan Facilities	(1,381)			
Payment of dividend by subsidiary		(512)		(2,046)
Cash settlement of non-accredited Note holders	(748)	(375)		
Proceeds from Rights Offering				100,000
Payment of common stock issuance costs by subsidiary				(111)
Payment of deferred financing costs	(4,541)	(471)		(4,515)
Net cash provided by (used in) financing activities	26,854	(4,344)		77,207
Net (decrease) increase in cash and cash equivalents	(38,936)	(29,457)		13,355
Cash and cash equivalents at beginning of period	83,414	136,077		122,722
Cash and cash equivalents at end of period	\$ 44,478	\$ 106,620	\$	136,077

See accompanying notes to condensed consolidated financial statements.

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Genco Shipping & Trading Limited

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

Notes to Condensed Consolidated Financial Statements (unaudited)

1 - GENERAL INFORMATION

The accompanying condensed consolidated financial statements include the accounts of Genco Shipping & Trading Limited (GS&T), its wholly-owned subsidiaries, and its wholly-owned indirect 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 September 30, 2015, is the sole owner of all of the outstanding shares of the following subsidiaries: Genco Ship Management LLC; Genco Investments LLC; Genco RE Investments LLC; and the ship-owning subsidiaries as set forth below. As of September 30, 2015, Genco Ship Management LLC is the sole owner of all of the outstanding shares of Genco Management (USA) Limited.

Bankruptcy Filing

On April 21, 2014 (the Petition Date), GS&T and its subsidiaries other than Baltic Trading Limited (Baltic Trading) and its subsidiaries (collectively, the Debtors) filed voluntary petitions for relief (the Chapter 11 Cases) under Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). The Debtors continued to operate their businesses in the ordinary course as debtors-in-possession under the jurisdiction of the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. Through the Chapter 11 Cases, the Debtors implemented a Prepackaged Plan of Reorganization of the Debtors Pursuant to Chapter 11 of the Bankruptcy Code (the Prepack Plan) for which the Company solicited votes from certain classes of its creditors prior to commencement of the Chapter 11 Cases in accordance with the Restructuring Support Agreement that the Debtors entered into with certain of its creditors on April 3, 2014. The Company subsequently emerged from bankruptcy on July 9, 2014 (the Effective Date). Refer to the financial statements and notes thereto included in the Company s annual report on Form 10-K for the year ended December 31, 2014, as amended, for further detail regarding the bankruptcy filing.

Merger Agreement with Baltic Trading

On April 7, 2015, the Company entered into a definitive merger agreement with Baltic Trading under which the Company acquired Baltic Trading in a stock-for-stock transaction (the Merger). Under the terms of the agreement, Baltic Trading became an indirect wholly-owned subsidiary of the Company, and Baltic Trading shareholders (other than the Company and its subsidiaries) received 0.216 shares of the Company s common stock for each share of Baltic Trading s common stock they owned at closing, with fractional shares settled in cash. Upon consummation of the

transaction on July 17, 2015, the Company's shareholders owned approximately 84.5% of the combined company, and former Baltic Trading's shareholders (other than the Company and its subsidiaries) owned approximately 15.5% of the combined company. Shares of Baltic Trading's Class B stock (all of which were owned by the Company) were canceled in the Merger. The Company's common stock began trading on the New York Stock Exchange after consummation of the transaction on July 20, 2015. The Boards of Directors of both the Company and Baltic Trading established independent special committees to review the transaction and negotiate the terms on behalf of their respective companies. Both independent special committees unanimously approved the transaction. The Boards of Directors of both companies approved the Merger by unanimous vote of directors present and voting, with Peter C. Georgiopoulos, Chairman of the Board of each company, recused for the vote. The Merger was approved on July 17, 2015 at the 2015 Annual Meeting of Shareholders (the Annual Meeting).

Prior to the completion of the Merger, the Company prepared its condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and consolidated the operations of Baltic Trading. The Baltic Trading common shares that the Company acquired in the Merger were previously recognized as a noncontrolling interest in the condensed consolidated financial statements of the Company. Under U.S. GAAP, changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are considered equity transactions (i.e. transactions with owners in their capacity as owners) with any difference between the amount by which the noncontrolling interest is adjusted and the fair value of the consideration paid attributed to the equity of the parent. Accordingly, any difference between the fair value of the Company's common shares issued in exchange for Baltic Trading common shares pursuant to the Merger is reflected as an adjustment to the equity in the Company. No gain or loss has been recognized in the Company's Condensed Consolidated Statement of Comprehensive Income (Loss) upon completion of the transaction.

Acquisition of Baltic Lion and Baltic Tiger

Additionally, on April 7, 2015, the Company entered into an agreement under which the Company acquired all of the shares of two single-purpose vessel owning entities that were wholly owned by Baltic Trading, each of which owns one Capesize drybulk vessel, specifically the Baltic Lion and Baltic Tiger, for an aggregate purchase price of \$68,500, subject to reduction for \$40,563 of outstanding first-mortgage debt of such single-purpose entities that is to be guaranteed by the Company. For further details, refer to

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the Impairment of vessel assets Section in Note 2 Summary of Significant Accounting Policies. These transactions, which closed on April 8, 2015, were accounted for pursuant to accounting guidance under ASC 805, Business Combinations, for transactions amongst entities under common control. Accordingly, the difference between the cash paid to Baltic Trading and the Company's carrying value of the Baltic Lion and Baltic Tiger as of the closing date of \$590 is reflected as an adjustment to Additional paid-in capital in the Condensed Consolidated Statements of Equity during the nine months ended September 30, 2015. The independent special committees of both companies' Boards of Directors reviewed and approved these transactions.

Financial Statement Presentation

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

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

The following fresh-start balance sheet illustrates the financial effects on the Company of the implementation of the Plan and the adoption of fresh-start reporting. This fresh-start balance sheet reflects the effect of the completion of the transactions included in the Plan, including the issuance of equity and the settlement of old indebtedness.

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

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	Fresh-Start Adjustments			
	Predecessor	Debt Discharge	Reinstatement	Revaluation of
	July 9,	and Equity	of	Assets and
	2014	Issuance (a)	Liabilities (b)	Liabilities (c)
		(restated)		(restated)
				Successor
				July 9,
				2014
Assets				
Current assets:				
Cash and cash equivalents	\$	48,551	\$	