Eagle Bulk Shipping Inc.
Form 10-Q
August 14, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 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 001–33831

EAGLE BULK SHIPPING INC.

(Exact name of Registrant as specified in its charter)

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

477 Madison Avenue

New York, New York 10022

(Address of principal executive offices)(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES__X__ NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES__X___ NO

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

Large accelerated Filer _____ Accelerated Filer ____ Non-accelerated Filer ___ Smaller reporting company__X__

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES____ NO __X

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

YES_X___ NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value $0.01 per share, 37,639,352 shares outstanding as of August 14, 2015.

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Part 1 : FINANCIAL INFORMATION

Item 1 : Financial Statements

EAGLE BULK SHIPPING INC.

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

(Unaudited)

ASSETS:	**Successor June 30, 2015**	**December 31, 2014**
Current assets:		
Cash and cash equivalents	$ 27,184,438	$ 39,975,287
Accounts receivable	11,537,826	14,731,301
Prepaid expenses	2,883,640	3,212,930
Inventories	6,297,658	5,749,273
Investment	2,138,447	8,300,740
Other current assets	3,004,678	4,621,312
Total current assets	53,046,687	76,590,843
Noncurrent assets:		
Vessels and vessel improvements, at cost, net of accumulated depreciation of $28,674,281 and $8,766,830, respectively	805,048,200	834,052,684
Other fixed assets, net of accumulated amortization of $112,359 and $118,232, respectively	187,744	230,805
Restricted cash	66,243	66,243

Deferred drydock costs		9,534,157		1,960,792
Deferred financing costs		493,757		550,753
Other assets		424,702		424,702
Total noncurrent assets		815,754,803		837,285,979
Total assets	**$**	**868,801,490**	**$**	**913,876,822**
LIABILITIES & STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	9,457,029	$	11,663,697
Accrued interest		385,795		531,918
Other accrued liabilities		10,711,575		9,142,229
Fair value below contract value of time charters acquired		1,526,330		1,648,740
Unearned charter hire revenue		1,379,750		2,389,595
Current portion of long-term debt		15,625,000		15,625,000
Total current liabilities		39,085,479		41,001,179
Noncurrent liabilities:				
Long-term debt		208,493,745		204,106,928
Other liabilities		563,181		-

Fair value below contract value of time charters acquired	4,008,286	4,678,049
Total noncurrent liabilities	213,065,212	208,784,977
Total liabilities	252,150,691	249,786,156
Commitment and contingencies		
Stockholders' equity:		
Common stock, $.01 par value, 150,000,000 shares authorized, 37,639,352 and 37,504,541 shares issued and outstanding, respectively	376,394	375,045
Additional paid-in capital	676,185,073	675,264,349
Accumulated deficit	(59,724,092)	(11,548,728)
Accumulated other comprehensive loss	(186,576)	-
Total stockholders' equity	616,650,799	664,090,666
Total liabilities and stockholders' equity	**$ 868,801,490**	**$ 913,876,822**

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

EAGLE BULK SHIPPING INC.

Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2015 and 2014

(Unaudited)

	Three Months Ended		Six Months Ended	
	Successor June 30, 2015	Predecessor June 30, 2014	Successor June 30, 2015	Predecessor June 30, 2014
Revenues, net of commissions	$22,657,372	$42,380,059	$48,988,538	$88,175,450
Voyage expenses	3,156,304	3,480,037	8,338,479	7,317,315
Vessel expenses	21,671,397	24,512,637	43,616,108	47,090,155
Charter hire expenses	1,233,132	-	2,449,096	-
Depreciation and amortization	10,898,049	19,353,495	21,455,220	38,431,308
General and administrative expenses	4,355,499	3,143,152	9,294,497	6,266,085
Loss on sale of vessel	5,696,675	-	5,696,675	-
Total operating expenses	47,011,056	50,489,321	90,850,075	99,104,863
Operating loss	(24,353,684)	(8,109,262)	(41,861,537)	(10,929,413)
Interest expense	2,986,817	28,380,928	6,148,983	48,154,547
Interest Income	-	(2,872)	(2,955)	(6,756)
Other expense	167,799	-	167,799	-

Reorganization expenses	-	8,172,741	-	8,172,741
Total other expense, net	3,154,616	36,550,797	6,313,827	56,320,532
Net loss	$(27,508,300)	$(44,660,059)	$(48,175,364)	$(67,249,945)
Weighted average shares outstanding:				
Basic	37,639,352	17,079,991	37,583,491	17,080,079
Diluted	37,639,352	17,079,991	37,583,491	17,080,079
Per share amounts:				
Basic net loss	$(0.73)	$(2.61)	$(1.28)	$(3.94)
Diluted net loss	$(0.73)	$(2.61)	$(1.28)	$(3.94)

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

EAGLE BULK SHIPPING INC.

Condensed Consolidated Statements of Comprehensive Loss

For the Three and Six Months Ended June 30, 2015 and 2014

(Unaudited)

	Three Months Ended		**Six Months Ended**	
	Successor	**Predecessor**	**Successor**	**Predecessor**
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Net loss	$(27,508,300)	$(44,660,059)	$(48,175,364)	$(67,249,945)
Other comprehensive income:				
Change in unrealized gain/(loss) on investment	172,976	1,402,577	(186,576)	(699,069)
Total other comprehensive income (loss)	172,976	1,402,577	(186,576)	(699,069)
Comprehensive loss	$(27,335,324)	$(43,257,482)	$(48,361,940)	$(67,949,014)

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

EAGLE BULK SHIPPING INC.

Condensed Consolidated Statement of Stockholders' Equity

For the Six Months Ended June 30, 2015

(Unaudited)

	Common Stock	Common stock amount	Additional paid-in capital	Net Loss	Accumulated deficit	Other comprehensive income loss	Total stockholders' equity
Balance at December 31, 2014 (Successor)	**37,504,541**	**$375,045**	**$675,264,349**	**—**	**$(11,548,728)**	—	**$664,090,666**
Net loss	—	—	—	$(48,175,364)	(48,175,364)	—	(48,175,364)
Change in unrealized loss on investment	—	—	—	—	—	$(186,576)	(186,576)
Vesting of restricted shares, net of shares withheld for employee tax	—	1,349	(1,286,855)	—	—	—	(1,285,506)
Non-cash compensation	—	—	2,207,579	—	—	—	2,207,579
Balance at June 30, 2015 (Successor)	**37,504,541**	**$376,394**	**$676,185,073**		**$(59,724,092)**	**$(186,576)**	**$616,650,799**

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

EAGLE BULK SHIPPING INC.

Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2015 and 2014

(Unaudited)

	Six Months Ended	
	Successor June 30, 2015	**Predecessor June 30, 2014**
Cash flows from operating activities:		
Net loss	$(48,175,364)	$(67,249,945)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:		
Depreciation	20,523,130	36,954,796
Amortization of deferred drydocking costs	932,090	1,476,512
Amortization of deferred financing costs	56,996	12,235,555
Amortization of discount on Exit Facility	1,199,317	-
Amortization of fair value below contract value of time charter acquired	(792,173)	-
Payment-in-kind interest on debt	-	14,803,454
Loss on sale of vessel	5,696,675	-
Realized loss from investment	167,799	-
Non-cash compensation expense	2,207,579	568,360
Drydocking expenditures	(8,505,455)	(2,391,412)
Changes in operating assets and liabilities:		
Accounts receivable	3,193,475	(4,526,474)
Other current assets	1,616,634	(4,621,223)
Prepaid expenses	329,290	1,382,673
Inventories	(548,385)	935,100
Accounts payable	(2,206,668)	(966,434)
Accrued interest	(146,123)	10,622,948
Other Accrued Liabilities	2,132,527	4,501,795
Unearned revenue	(1,009,845)	(3,131,980)
Net cash provided by/(used in) operating activities	(23,328,501)	593,725
Cash flows from investing activities:		
Vessels and vessel improvements	(1,407,801)	(149,756)
Purchase of other fixed assets	-	(36,445)
Proceeds from sale of vessel	4,235,542	-
Proceeds from sale of investment	5,807,917	-
Net cash provided by/(used in) investing activities	8,635,658	(186,201)
Cash flows from financing activities:		
Revolver loan	15,000,000	-
Repayment of Term Loan	(11,812,500)	-
Cash used to settle net share equity awards	(1,285,506)	-
Net cash provided by/(used in) financing activities	1,901,994	-

Net (decrease) / increase in cash and cash equivalents	(12,790,849)	407,524
Cash and cash equivalents at beginning of period	39,975,287	19,682,724
Cash and cash equivalents at end of period	$27,184,438	$20,090,248

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

EAGLE BULK SHIPPING INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Basis of Presentation and General Information

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

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

As of June 30, 2015, the Company owned and operated a modern fleet of 44 oceangoing vessels comprised of 43 Supramax vessels and 1 Handymax vessel with a combined carrying capacity of 2,404,064 dwt and an average age of approximately 7.9 years. The Company also chartered in a Handylog beginning October 2, 2014 for a period of 7 years.

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

% of Revenue				
	Three Months Ended		**Six Months Ended**	
	Successor	**Predecessor**	**Successor**	**Predecessor**
	June 30, 2015	**June 30, 2014**	**June 30, 2015**	**June 30, 2014**
Charterer				
Charterer A	-	13%	-	13%
Charterer B*	27%	30%	28%	23%

*Charter revenue from a pool that the Company participates.

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”), and the rules and regulations of the Securities and Exchange Commission (“SEC”) which apply to interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes normally included in consolidated financial statements prepared in conformity with U.S. GAAP. They should be read in conjunction with the Consolidated financial statements and notes thereto included in the Company’s 2014 Annual Report on Form 10-K, filed with the SEC on April 2, 2015.

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

The preparation of consolidated 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates and assumptions of the Company are useful lives of fixed assets and intangibles, the period of amortization, the allowances for bad debt, and the fair value of warrants and stock-based compensation.

Bankruptcy Filing

On August 6, 2014, the Company entered into a restructuring support agreement (the “Restructuring Support Agreement”) with lenders constituting the “Majority Lenders” (as such term is defined in the Company’s Fourth Amended and Restated Credit Agreement, dated June 20, 2012 (the “Credit Agreement”)) under its Credit Agreement (the “Consenting Lenders”), which contemplated a plan of reorganization through a balance sheet restructuring of the Company’s obligations upon the terms specified therein. On the same day, the Company filed a voluntary prepackaged case (the “Prepackaged Case”) under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of New York (the “Court”). The Prepackaged Case was filed only in respect of the parent company, Eagle Bulk Shipping Inc., but not any of its subsidiaries. Through the Prepackaged Case, the Company sought to implement a balance sheet restructuring pursuant to the terms of its prepackaged plan of reorganization filed with the Court (the “Plan”). The Company continued to operate its business as a “debtor in possession” under the jurisdiction of the Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Court.

The commencement of the Prepackaged Case constituted an event of default that accelerated the Company's obligations under the Credit Agreement, subject to an automatic stay of any action to collect, assert or recover a claim against the Company and the application of the applicable provisions of the Bankruptcy Code.

As part of the Prepackaged Case, the Company obtained debtor-in-possession financing (the "DIP Loan Facility"), as further described below, pursuant to authorization from the Court. The Company funded its ongoing operations during the pendency of the Prepackaged Case through available borrowings under the DIP Loan Facility as well as cash generated from operations.

Subsequent to the filing of the Prepackaged Case, the Company received approval from the Court to continue using its existing cash management system and to pay or otherwise honor certain pre-petition obligations generally designed to stabilize the Company's operations, such as certain employee wages, salaries and benefits, certain taxes and fees, customer obligations, obligations to logistics providers and pre-petition amounts owed to certain critical vendors. The Company continued to honor payments to vendors and other providers in the ordinary course of business for goods and services received after the filing date of the Prepackaged Case. The Company retained legal and financial professionals to advise the Company in connection with the Prepackaged Case and certain other professionals to provide services and advice in the ordinary course of business.

On September 22, 2014, the Court entered an order (the "Confirmation Order") confirming the Plan. On October 15, 2014 (the "Effective Date"), the Company completed its balance sheet restructuring and emerged from Chapter 11 through a series of transactions contemplated by the Plan, and the Plan became effective pursuant to its terms.

Key components of the Plan included:

Entry into a new senior secured credit facility (the "Exit Financing Facility") as of October 9, 2014, in the amount of $275 million (inclusive of a $50 million revolving credit facility).

The cancellation of all outstanding equity interests in the Company as of the Effective Date, with the current holders of such equity interests (other than the Consenting Lenders on account of certain warrants held by them or shares of common stock received upon conversion of such warrants) receiving (i) shares of the reorganized Company's common stock ("New Eagle Common Stock") equal to 0.5% of the total number of shares of New Eagle Common Stock issued and outstanding on the Effective Date (subject to dilution by the New Eagle Equity Warrants (as defined below) and the Management Incentive Program (as defined below)), and (ii) an aggregate of 3,045,327 New Eagle Equity Warrants. Each New Eagle Equity Warrant will have a 7-year term (commencing on the Effective Date) and will be exercisable for one share of New Eagle Common Stock (subject to adjustment as set forth in the New Eagle Equity Warrant Agreement and dilution by the Management Incentive Program).

The extinguishment of all loans and other obligations under the Credit Agreement as of the Effective Date, with the current holders thereof receiving (i) shares of New Eagle Common Stock equal to 99.5% of the total number of shares of New Eagle Common Stock issued and outstanding on the Effective Date, subject to dilution by the New

Eagle Equity Warrants and the Management Incentive Program, and (ii) a cash distribution as contemplated by the Plan. On the Effective Date, the Credit Agreement was terminated, and the liens and mortgages thereunder were released.

All claims of unsecured creditors of Eagle Bulk Shipping Inc. were unaffected and will be paid in full in the ordinary course of business.

The establishment of a Management Incentive Program (the "Management Incentive Program") that provides senior management and certain other employees of the reorganized Company with 2% of the New Eagle Common Stock (on a fully diluted basis) on the Effective Date, and two tiers of options to acquire 5.5% of the New Eagle Common Stock (on a fully diluted basis) with different strike prices based on the equity value for the reorganized Company and a premium to the equity value, each of the foregoing to vest generally over a four year schedule through 25% annual installments commencing on the first anniversary of the Effective Date. The Management Incentive Program also provides for the reservation of certain additional shares for future issuance thereunder, as further described in the Plan.

The Plan also provided for certain releases of various parties by certain holders of claims against and equity interests in the Company.

Exit Financing Facility

On October 9, 2014, Eagle Bulk Shipping Inc., as borrower, and certain of its subsidiaries, as guarantors, entered into the Exit Financing Facility with certain lenders (the "Exit Lenders"). The Exit Financing Facility is in the amount of $275 million, including a $50 million revolving credit facility, and matures on October 15, 2019. A fee of $5.5 million was paid to the lenders in connection with the Exit Financing Facility as a reduction of proceeds. Amounts drawn under the Exit Financing Facility bear interest at a rate of LIBOR plus a margin ranging between 3.50% and 4.00% per annum. The revolving credit facility is subject to an annual commitment fee of 40% of the margin on the undrawn portion of the facility. The Exit Financing Facility is described further in Note 5 below.

Registration Rights Agreement

On the Effective Date, and in accordance with the Plan, the Company entered into the Registration Rights Agreement with certain parties that received shares of New Eagle Common Stock under the Plan. The Registration Rights Agreement provided such parties with demand and piggyback registration rights.

New Eagle Equity Warrant Agreement

On the Effective Date, and in accordance with the Plan, the Company issued new equity warrants (the "New Eagle Equity Warrants") pursuant to the terms of the warrant agreement (the "New Eagle Equity Warrant Agreement"). Each New Eagle Equity Warrant has a 7-year term (commencing on the Effective Date) and are exercisable for one share of New Eagle Common Stock (subject to adjustment as set forth in the New Eagle Equity Warrant Agreement and dilution by the Management Incentive Program). The New Eagle Equity Warrants are exercisable at an exercise price of $27.82 per share (subject to adjustment as set forth in the New Eagle Equity Warrant Agreement). The New Eagle Equity Warrant Agreement contains customary anti-dilution adjustments in the event of any stock split, reverse stock split, stock dividend, reclassification, dividend or other distributions (including, but not limited to, cash dividends), or business combination transaction.

FRESH START ACCOUNTING

Financial Statement Presentation

Upon the Company's emergence from the Prepackaged Case on October 15, 2014, the Company adopted fresh-start accounting in accordance with provisions of ASC 852, *Reorganizations* ("ASC 852"). Upon adoption of fresh-start accounting, the Company's assets and liabilities were recorded at their fair value as of October 15, 2014, 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 accounting may materially affect its results of operations following the fresh-start reporting date, 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 accounting. As a result of the adoption of fresh-start reporting, the Company's condensed consolidated balance sheets and condensed consolidated statements of operations for periods subsequent to October 15, 2014 will not be comparable in many respects to our condensed consolidated balance sheets and condensed consolidated statements of operations for periods prior to October 15, 2014.

Under ASC 852, fresh-start accounting 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 accounting as of the Effective Date. Adopting fresh-start accounting results in a new reporting entity with no beginning retained earnings or deficits. The cancellation of all existing shares outstanding on the Effective Date and issuance of new shares of the reorganized entity caused a change of control of the Company under ASC 852.

Note 2. New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard, as extended by the FASB, is effective for annual periods beginning after December 15, 2017, and interim periods therein, and shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, “Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.” This ASU establishes specific guidance to an organization's management on their responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern. The provisions of this ASU are effective for interim and annual periods beginning after December 15, 2016. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

In April 2015, the FASB issued ASU No.2015-3, “Simplifying the Presentation of Debt Issuance Costs”. The new guidance specifies that debt issuance costs under the new standard are to be netted against the carrying value of the financial liability. The guidance should be applied on a retrospective basis. The effective date of the new guidance is for fiscal years beginning after December 15, 2015. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

Note 3. Vessels

Vessels and Vessel Improvements

At June 30, 2015, the Company’s operating fleet consisted of 44 drybulk vessels. At October 15, 2014, the Company’s vessels were adjusted to a fair value aggregating $842,625,000 as part of fresh start accounting. The fair values were based primarily on valuations obtained from third-party specialists principally utilizing the market value approach.

Vessel and vessel improvements:

Successor

Vessels and Vessel Improvements, at December 31, 2014	$834,052,684
Purchase of Vessel Improvements	1,402,966
Disposal of vessel	(9,932,216)
Depreciation Expense	(20,475,234)
Vessels and Vessel Improvements, at June 30, 2015	$805,048,200

In April 2015, the Company decided to sell the Kite, a 1997-built Handymax, and reached an agreement to sell the vessel for $4,297,100 after brokerage commissions payable to a third party. The Kite was not available for delivery before April 29, 2015. On May 7, 2015, the Company realized a net loss of $5,696,675 and received net proceeds of $4,235,542 related to the sale after the associated transaction costs.

Note 4. Investment

Korea Line Corporation

The Company’s investment in capital stock of the Korea Line Corporation (“KLC”) is designated as Available For Sale (“AFS”) and is reported at its fair value, with unrealized gains and losses recorded in equity as a component of accumulated other comprehensive income (loss) (“AOCI”). The fair value of the KLC shares are determined from the market price as quoted on the Korean Stock Exchange and by converting the South-Korean Won (“KRW”) extended value into USD with the exchange rate applicable on date of conversion. The Company reviews the investment in KLC for impairment on a quarterly basis.

The Company concluded that for the Successor Company as of June 30, 2015 and for the Predecessor Company as of June 30, 2014, the change in the fair value of the KLC investment was “temporary”. The Company recorded cumulative unrealized losses in the amount of $0.2 million and $0.7 million as of June 30, 2015, and 2014 respectively. As of December 31, 2014, the Company recorded an impairment loss of $1.0 million. As such, there is no unrealized gain or (loss) as of December 31, 2014.

The following table provides information on the Company's investment in KLC capital stock which is recorded at fair value:

	No. of KLC Shares	Cost Basis-Adjusted	Fair Value	Unrealized Loss reported in OCI
Balance at January 1, 2014 (Predecessor)	**566,529**	**$ 13,817,439**	**$13,817,439**	**-**
Fair Value-Adjustments, net	-	-	(699,069)	(699,069)
Balance at June 30, 2014 (Predecessor)	**566,529**	**$ 13,817,439**	**$13,118,370**	**$ (699,069)**
Balance at January 1, 2015 (Successor)	**387,453**	**$ 8,300,740**	**$8,300,740**	**-**
KLC Stock Sold	(278,928)	(5,975,717)	(5,807,918)	-
Loss on sale of KLC Stock	-	-	(167,799)	-
Fair Value-Adjustments, net	-	-	(186,576)	(186,576)
Balance at June 30, 2015 (Successor)	**108,525**	**$ 2,325,023**	**$2,138,447**	**$ (186,576)**

Note 5. Debt

Long-term Debt consists of the following:

	Successor June 30, 2015	**December 31, 2014**
Exit Facility	$228,187,500	$225,000,000
Discount on Facility	(4,068,755)	(5,268,072)
Less: Current Portion	(15,625,000)	(15,625,000)
Total long-term debt	$208,493,745	$204,106,