

Baltic Trading Ltd  
Form 10-Q  
November 09, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended September 30, 2011**

**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 001-34648**

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**BALTIC TRADING LIMITED**

(Exact name of registrant as specified in its charter)

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

**98-0637837**  
(I.R.S. Employer  
Identification No.)

**299 Park Avenue, 20th Floor, New York, New York 10171**  
(Address of principal executive offices) (Zip Code)

**(646) 443-8550**

(Registrant's telephone number, including area code)

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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 9, 2011: common stock, \$0.01 per share 16,896,000 shares and Class B stock, \$0.01 per share 5,699,088 shares.

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**Baltic Trading Limited**  
Condensed Consolidated Balance Sheets as of September 30, 2011  
and December 31, 2010  
(Unaudited)

	September 30, 2011	December 31, 2010
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 5,296,373	\$ 5,796,862
Due from charterers, net of a reserve of \$47,884 and \$36,968, respectively	1,159,611	666,007
Prepaid expenses and other current assets	2,585,636	2,392,838
Total current assets	9,041,620	8,855,707
Noncurrent assets:		
Vessels, net of accumulated depreciation of \$18,386,618 and \$7,352,729, respectively	373,939,771	384,590,337
Fixed assets, net of accumulated depreciation of \$16,871 and \$6,060, respectively	26,573	37,384
Deferred financing costs, net of accumulated amortization of \$619,600 and \$269,976, respectively	2,407,840	2,670,290
Total noncurrent assets	376,374,184	387,298,011
Total assets	\$ 385,415,804	\$ 396,153,718
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,828,882	\$ 3,345,266
Deferred revenue	152,892	385,288
Due to Parent	270,568	1,738,004
Total current liabilities	2,252,342	5,468,558
Noncurrent liabilities:		
Long-term debt	101,250,000	101,250,000
Total noncurrent liabilities:	101,250,000	101,250,000
Total liabilities	103,502,342	106,718,558
<u>Commitments and contingencies</u>		
<u>Shareholders' equity:</u>		
Common stock, par value \$0.01; 500,000,000 shares authorized; issued and outstanding 16,896,000 and 16,883,500 shares at September 30, 2011 and December 31, 2010, respectively	168,960	168,835

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Class B stock, par value \$0.01; 100,000,000 shares authorized; issued and outstanding 5,699,088 at September 30, 2011 and December 31, 2010	56,991	56,991
Additional paid-in capital	283,044,569	288,095,548
(Deficit) retained earnings	(1,357,058)	1,113,786
Total shareholders' equity	281,913,462	289,435,160
Total liabilities and shareholders' equity	\$ 385,415,804	\$ 396,153,718

See accompanying notes to condensed consolidated financial statements.

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**Baltic Trading Limited**

Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2011 and 2010

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues	\$ 10,897,511	\$ 10,406,663	\$ 30,355,089	\$ 17,397,426
Operating expenses:				
Voyage expenses	182,490	48,214	(123,204)	107,713
Voyage expenses to Parent	139,306	138,640	389,406	229,565
Vessel operating expenses	4,047,375	2,722,373	11,754,288	4,047,708
General, administrative, and technical management fees	1,269,205	1,417,195	4,315,130	3,318,994
Management fees to Parent	621,000	417,750	1,842,750	625,500
Depreciation	3,724,024	2,461,963	11,044,701	3,701,509
Other operating income				(206,000)
Total operating expenses	9,983,400	7,206,135	29,223,071	11,824,989
Operating income	914,111	3,200,528	1,132,018	5,572,437
Other (expense) income:				
Other income (expense)	3,795	(17,715)	(30,512)	(17,715)
Interest income	996	64,982	4,737	227,051
Interest expense	(1,105,102)	(683,987)	(3,315,945)	(1,126,293)
Other expense, net	(1,100,311)	(636,720)	(3,341,720)	(916,957)
(Loss) income before income taxes	(186,200)	2,563,808	(2,209,702)	4,655,480
Income tax expense	(9,040)	(28,785)	(31,493)	(28,785)
Net (loss) income	\$ (195,240)	\$ 2,535,023	\$ (2,241,195)	\$ 4,626,695
Net (loss) income per share of common and Class B Stock:				
Net (loss) income per share-basic	\$ (0.01)	\$ 0.12	\$ (0.10)	\$ 0.28
Net (loss) income per share-diluted	\$ (0.01)	\$ 0.12	\$ (0.10)	\$ 0.28
Dividends declared and paid per share of common and Class B Stock	\$ 0.10	\$ 0.16	\$ 0.33	\$ 0.16

See accompanying notes to condensed consolidated financial statements.

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**Baltic Trading Limited**

Condensed Consolidated Statements of Shareholders Equity

For the Nine Months Ended September 30, 2011 and 2010  
(Unaudited)

		Common Stock Par Value	Class B Stock Par Value	Additional paid-in Capital	(Deficit) Retained Earnings	Total	
Balance	January 1, 2011	\$ 168,835	\$ 56,991	\$ 288,095,548	\$ 1,113,786	\$ 289,435,160	
	Net loss				(2,241,195)	(2,241,195)	
	Cash dividends declared (\$0.33 per share)			(7,224,605)	(229,649)	(7,454,254)	
	Issuance of 12,500 shares of nonvested common stock	125		(125)			
	Nonvested stock amortization			2,173,751		2,173,751	
Balance	September 30, 2011	\$ 168,960	\$ 56,991	\$ 283,044,569	\$ (1,357,058)	\$ 281,913,462	
		Capital Stock	Common Stock Par Value	Class B Stock Par Value	Additional Paid-in Capital	(Deficit) Retained Earnings	Total
Balance	January 1, 2010	\$ 1	\$	\$	\$	\$ (15,820)	\$ (15,819)
	Net income					4,626,695	4,626,695
	Capital contribution from Genco for exchange of 100 shares of capital stock for 5,699,088 shares of Class B stock	(1)		56,991	74,943,010		75,000,000
	Cash dividends paid (\$0.16 per share)					(3,596,414)	(3,596,414)
	Issuance of 16,300,000 shares of common stock		163,000		210,231,788		210,394,788
	Issuance of 478,500 shares of nonvested common stock		4,785		(4,785)		
	Nonvested stock amortization				1,985,595		1,985,595
Balance	September 30, 2010	\$	\$ 167,785	\$ 56,991	\$ 287,155,608	\$ 1,014,461	\$ 288,394,845

See accompanying notes to condensed consolidated financial statements.





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Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and 2010

(Unaudited)

	<b>For the Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (2,241,195)	\$ 4,626,695
<b>Adjustments to reconcile net (loss) income to net cash provided by operating activities:</b>		
Depreciation	11,044,701	3,701,509
Amortization of deferred financing costs	349,625	166,812
Amortization of nonvested stock compensation expense	2,173,751	1,985,595
<b>Change in assets and liabilities:</b>		
Increase in due from charterers	(493,604)	(452,030)
Increase in prepaid expenses and other current assets	(192,798)	(2,375,371)
(Decrease) increase in accounts payable and accrued expenses	(410,829)	1,523,005
Decrease in due to Parent	(387,579)	(4,046)
(Decrease) increase in deferred revenue	(232,397)	649,967
<b>Net cash provided by operating activities</b>	<b>9,609,675</b>	<b>9,822,136</b>
<b>Cash flows from investing activities:</b>		
Purchase of vessels, including deposits	(2,516,348)	(299,835,650)
Purchase of other fixed assets		(23,955)
Deposits of restricted cash		(12,000,000)
<b>Net cash used in investing activities</b>	<b>(2,516,348)</b>	<b>(311,859,605)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from the 2010 Credit Facility		69,825,000
Capital contribution from Parent		75,000,000
Cash dividends paid	(7,455,154)	(3,596,414)
Proceeds from issuance of common stock		214,508,000
Payments of common stock issuance costs		(4,078,175)
Payment of deferred financing costs	(138,662)	(1,514,902)
<b>Net cash (used in) provided by financing activities</b>	<b>(7,593,816)</b>	<b>350,143,509</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(500,489)</b>	<b>48,106,040</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>5,796,862</b>	<b>1</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 5,296,373</b>	<b>\$ 48,106,041</b>

See accompanying notes to condensed consolidated financial statements.

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The accompanying condensed consolidated financial statements include the accounts of Baltic Trading Limited ( "Baltic Trading" ) and its wholly-owned subsidiaries (collectively, the "Company" ). The Company was formed to own and employ drybulk vessels in the spot market. The spot market represents immediate chartering of a vessel, usually for single voyages, or employing vessels on spot market-related time charters. Baltic Trading was formed on October 6, 2009, under the laws of the Republic of the Marshall Islands.

At September 30, 2011, the Company was the sole owner of all of the outstanding shares of the following ship-owning subsidiaries as set forth below:

Wholly Owned Subsidiaries	Vessels	Dwt	Date Delivered	Year Built
Baltic Leopard Limited	Baltic Leopard	53,447	April 8, 2010	2009
Baltic Panther Limited	Baltic Panther	53,351	April 29, 2010	2009
Baltic Cougar Limited	Baltic Cougar	53,432	May 28, 2010	2009
Baltic Jaguar Limited	Baltic Jaguar	53,474	May 14, 2010	2009
Baltic Bear Limited	Baltic Bear	177,717	May 14, 2010	2010
Baltic Wolf Limited	Baltic Wolf	177,752	October 14, 2010	2010
Baltic Wind Limited	Baltic Wind	34,409	August 4, 2010	2009
Baltic Cove Limited	Baltic Cove	34,403	August 23, 2010	2010
Baltic Breeze Limited	Baltic Breeze	34,386	October 12, 2010	2010

On March 15, 2010, the Company completed its initial public offering ( "IPO" ) of 16,300,000 common shares at \$14.00 per share, which resulted in gross proceeds of \$228,200,000. After underwriting commissions and other registration expenses, the Company received net proceeds of \$210,429,825 to be used by the Company for completion of the acquisition of its initial fleet of vessels as well as for working capital purposes.

Prior to the IPO, the Company was a wholly-owned subsidiary of Genco Investments LLC, which in turn is a wholly-owned subsidiary of Genco Shipping & Trading Limited ( "Genco" or "Parent" ). After the completion of the IPO and issuance of restricted shares, Genco owned, directly or indirectly, 5,699,088 shares of the Company's Class B stock, representing a 25.35% ownership interest in the Company and 83.59% of the aggregate voting power of the Company's outstanding shares of voting stock. Genco made a capital contribution of \$75,000,000 and surrendered 100 shares of capital stock in connection with Genco's subscription for 5,699,088 of the Company's Class B stock pursuant to the subscription agreement entered into between Genco and the Company. Additionally, pursuant to the subscription agreement, for so long as Genco directly or indirectly holds at least 10% of the aggregate number of outstanding shares of the Company's common stock and Class B stock, Genco will be entitled to receive at no cost an additional number of shares of Class B stock equal to 2% of the number of common shares issued in the future, other than shares issued under the Company's 2010 Equity Incentive Plan.

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As of September 30, 2011 and December 31, 2010, Genco's ownership of 5,699,088 shares of the Company's Class B stock represented 25.22% and 25.24% ownership interest in the Company, respectively, and 83.50% and 83.51% of the aggregate voting power of the Company's outstanding shares of voting stock, respectively.

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### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Principles of consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ), which includes the accounts of Baltic Trading and its wholly-owned ship-owning subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

#### Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and the rules and regulation of the Securities and Exchange Commission (the SEC ). In the opinion of management of the Company, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and operating results have been included in the statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010 (the 2010 10-K ). The results of operations for the periods ended September 30, 2011 and 2010 are not necessarily indicative of the operating results for the full year.

#### Vessels, net

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 expenses. 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 three and nine months ended September 30, 2011, the increase in the estimated scrap value resulted in a decrease in depreciation expense of \$86,798 and \$257,564, respectively. The decrease in depreciation expense had no effect on the basic and diluted net loss per share during the three months ended September 30, 2011. The decrease in depreciation expense resulted in a \$0.01 change to the basic and diluted net loss per share during the nine months ended September 30, 2011. The basic and diluted net loss per share would have been (\$0.11) per share if there was no change in the estimated scrap value.

#### Income taxes

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The Company is incorporated in the Marshall Islands. Pursuant to the income tax laws of the Marshall Islands, the Company is not subject to Marshall Islands income tax. During the three months ended September 30, 2011 and 2010, the Company had United States operations which resulted in United States source income of \$451,997 and \$1,439,267, respectively. The Company's estimated United States income tax expense for the three months ended September 30, 2011 and 2010 was \$9,040 and \$28,785, respectively. Additionally, during the nine months ended September 30, 2011 and 2010, the Company had United States operations which resulted in United States source income of \$2,908,696 and \$1,439,267, respectively. The Company's estimated United States income tax expense for the nine months ended September 30, 2011 and 2010 was \$31,493 and \$28,785, respectively.

### Voyage expense recognition

In spot market-related time charters and time charters, 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 spot market-related time charter or time charter, the Company records the difference between the cost of bunker fuel delivered by the terminating charterer and the bunker fuel sold to the new charterer as a gain or loss within voyage expenses. These differences in bunkers resulted in net (gains)/losses of \$0 during the three months ended September 30, 2011 and 2010 and (\$520,717) and \$48,618 during the nine months ended September 30, 2011 and 2010, respectively.

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3 - CASH FLOW INFORMATION

For the nine months ended September 30, 2011, the Company had non-cash investing activities not included in the Condensed Consolidated Statement of Cash Flows for items included in accounts payable and accrued expenses of \$53,313 for the purchase of vessels, including deposits. For the nine months ended September 30, 2011, the Company also had non-cash investing activities not included in the Condensed Consolidated Statement of Cash Flows for items included in due to Parent of (\$1,424) for the purchase of vessels.

For the nine months ended September 30, 2010, the Company had non-cash investing activities not included in the Condensed Consolidated Statement of Cash Flows for items included in accounts payable and accrued expenses of \$708,682 for the purchase of vessels, including deposits. For the nine months ended September 30, 2010, the Company also had non-cash investing activities not included in the Condensed Consolidated Statement of Cash Flows for items included in due to Parent of \$1,756,802 for the purchase of vessels and \$19,445 for the purchase of other fixed assets. Additionally, for the nine months ended September 30, 2010, the Company had non-cash financing activities not included in the Condensed Consolidated Statement of Cash Flows for items included in accounts payable and accrued expenses consisting of \$33,777 associated with deferred financing fees and \$35,037 associated with the payment of common stock issuance costs related to the IPO of the Company. Also, for the nine months ended September 30, 2010, the Company had non-cash investing activities not included in the Condensed Consolidated Statement of Cash Flows for items included in prepaid expenses and other current assets as of September 30, 2010 consisting of \$2,862 interest receivable associated with the purchase of vessels, including deposits.

During the nine months ended September 30, 2011 and 2010, cash paid for interest, net of amounts capitalized, was \$2,973,390 and \$844,397, respectively.

During the nine months ended September 30, 2011 and 2010, cash paid for estimated income taxes was \$60,896 and \$0, respectively.

On May 12, 2011, the Company made grants of nonvested common stock in the amount of 12,500 shares in the aggregate to directors of the Company. The fair value of such nonvested stock was \$86,500.

On March 10, 2010, 358,000 and 108,000 shares of nonvested common stock were granted to Peter Georgiopoulos, Chairman of the Board, and John Wobensmith, President and Chief Financial Officer, respectively, which were approved by the Board of Directors on such date. The fair value of such nonvested stock was \$6,524,000 based on the IPO price of \$14.00 per share. Both of these grants of nonvested common stock were granted under the Baltic Trading Limited 2010 Equity Incentive Plan and will vest ratably in four annual installments commencing on the first anniversary of the closing of the Company's IPO, March 15, 2010. Lastly, on March 15, 2010, the Company made grants of nonvested common stock under the Baltic Trading Limited 2010 Equity Incentive Plan in the amount of 12,500 shares to directors of the Company. The fair value of such nonvested stock was \$175,000 based on the IPO price of \$14.00 per share. These grants vested on March 15, 2011.

4 - NET (LOSS) INCOME PER COMMON AND CLASS B SHARES

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The computation of net (loss) income per share of common stock and Class B shares is in accordance with the Accounting Standards Codification ( ASC ) 260 Earnings Per Share ( ASC 260 ), using the two-class method. Under these provisions, basic net (loss) income per share is computed using the weighted-average number of common shares and Class B shares outstanding during the year, except that it does not include nonvested stock awards subject to repurchase or cancellation. Diluted net (loss) income per share is computed using the weighted-average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of nonvested stock awards (see Note 11 Nonvested Stock Awards) for the common shares, for which the assumed proceeds upon vesting are deemed to be the amount of compensation cost attributable to future services and not yet recognized using the treasury stock method, to the extent dilutive. Of the 467,000 nonvested shares outstanding at September 30, 2011 (see Note 11 Nonvested Stock Awards), all are anti-dilutive. The computation of the diluted net (loss) income per share of common stock assumes the conversion of Class B shares, while the diluted net (loss) income per share of Class B stock does not assume the conversion of those shares.

The Company was formed with 100 shares of capital stock during October of 2009, and on March 3, 2010, Genco made an additional capital contribution of \$75,000,000 and surrendered the 100 shares of capital stock for 5,699,088 shares of Class B stock. The net loss attributable to the period from January 1, 2010 to March 2, 2010 was insignificant and therefore the Company has not allocated any of the net loss during that period to the capital stock. The following table sets forth the computation of basic and diluted net (loss) income per share of capital stock, common stock and Class B stock:

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	<b>Three Months Ended September 30, 2011</b>	
	<b>Common</b>	<b>Class B</b>
<b>Basic net loss per share:</b>		
<b>Numerator:</b>		
Allocation of loss	\$ (144,956)	\$ (50,284)
<b>Denominator:</b>		
Weighted-average shares outstanding, basic	16,429,000	5,699,088
Basic net loss per share	\$ (0.01)	\$ (0.01)
<b>Diluted net loss per share:</b>		
<b>Numerator:</b>		
Allocation of loss	\$ (144,956)	\$ (50,284)
Reallocation of undistributed loss as a result of conversion of Class B to common shares	(620,193)	
Reallocation of dividends paid as a result of conversion of Class B to common shares	569,909	
Allocation of loss	\$ (195,240)	\$ (50,284)
<b>Denominator:</b>		
Weighted-average shares outstanding used in basic computation	16,429,000	5,699,088
<b>Add:</b>		
Conversion of Class B to common shares	5,699,088	
Weighted-average shares outstanding, diluted	22,128,088	5,699,088
Diluted net loss per share	\$ (0.01)	\$ (0.01)

	<b>Three Months Ended September 30, 2010</b>	
	<b>Common</b>	<b>Class B</b>
<b>Basic net income per share:</b>		
<b>Numerator:</b>		
Allocation of undistributed earnings	\$ 1,878,300	\$ 656,723
<b>Denominator:</b>		
Weighted-average shares outstanding, basic	16,300,000	5,699,088
Basic net income per share	\$ 0.12	\$ 0.12
<b>Diluted net income per share:</b>		
<b>Numerator:</b>		
Allocation of undistributed earnings	\$ 1,878,300	\$ 656,723
Reallocation of undistributed earnings as a result of conversion of Class B to common shares	(255,131)	
Reallocation of dividends paid as a result of conversion of Class B to common shares	911,854	
Reallocation of undistributed earnings to Class B shares		(354)
Allocation of earnings	\$ 2,535,023	\$ 656,369
<b>Denominator:</b>		
Weighted-average shares outstanding used in basic computation	16,300,000	5,699,088
<b>Add:</b>		
Conversion of Class B to common shares	5,699,088	
Dilutive effect of nonvested stock awards	11,875	
Weighted-average shares outstanding, diluted	22,010,963	5,699,088



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Diluted net income per share	\$	0.12	\$	0.12
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	Nine Months Ended September 30, 2011	
	Common	Class B
Basic net loss per share:		
Numerator:		
Allocation of loss	\$ (1,663,074)	\$ (578,121)
Denominator:		
Weighted-average shares outstanding, basic	16,394,505	5,699,088
Basic net loss per share	\$ (0.10)	\$ (0.10)
Diluted net loss per share:		
Numerator:		
Allocation of loss	\$ (1,663,074)	\$ (578,121)
Reallocation of undistributed loss as a result of conversion of Class B to common shares	(2,458,820)	
Reallocation of dividends paid as a result of conversion of Class B to common shares	1,880,699	
Allocation of loss	\$ (2,241,195)	\$ (578,121)
Denominator:		
Weighted-average shares outstanding used in basic computation	16,394,505	5,699,088
Add:		
Conversion of Class B to common shares	5,699,088	
Weighted-average shares outstanding, diluted	22,093,593	5,699,088
Diluted net loss per share	\$ (0.10)	\$ (0.10)

	Nine Months Ended September 30, 2010		
	Capital Stock	Common	Class B
Basic net income per share:			
Numerator:			
Allocation of undistributed earnings	\$	\$ 3,398,044	\$ 1,228,651
Denominator:			
Weighted-average shares outstanding, basic	22	12,239,927	4,425,665
Basic net income per share	\$	\$ 0.28	\$ 0.28
Diluted net income per share:			
Numerator:			
Allocation of undistributed earnings	\$	\$ 3,398,044	\$ 1,228,651
Reallocation of undistributed earnings as a result of conversion of Class B to common shares		316,797	
Reallocation of dividends paid as a result of conversion of Class B to common shares		911,854	
Reallocation of undistributed earnings to Class B shares			(473)
Allocation of earnings	\$	\$ 4,626,695	\$ 1,228,178
Denominator:			
Weighted-average shares outstanding used in basic computation	22	12,239,927	4,425,665
Add:			
Conversion of Class B to common shares		4,425,665	
Dilutive effect of nonvested stock awards		6,416	
Weighted-average shares outstanding, diluted	22	16,672,008	4,425,665

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Diluted net income per share	\$	\$	0.28	\$	0.28
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5 - RELATED PARTY TRANSACTIONS

The following include related party transactions not disclosed elsewhere in these condensed consolidated financial statements. Due to Parent, Voyage expenses to Parent and Management fees to Parent have been disclosed above in these condensed consolidated financial statements.

During the nine months ended September 30, 2011 and 2010, the Company incurred legal services aggregating \$0 and \$158,433 from Constantine Georgiopoulos, the father of Peter C. Georgiopoulos, Chairman of the Board. At September 30, 2011 and December 31, 2010, \$0 was outstanding to Constantine Georgiopoulos.

During 2010, the Company entered into an agreement with Aegean Marine Petroleum Network, Inc. ( Aegean ) to purchase lubricating oils for certain vessels in the Company s fleet. Peter C. Georgiopoulos, Chairman of the Board of the Company, is also the Chairman of the Board of Aegean. During the nine months ended September 30, 2011 and 2010, Aegean supplied lubricating oils to the Company s vessels aggregating \$513,497 and \$349,563, respectively. At September 30, 2011 and December 31, 2010, \$17,987 and \$137,993 remained outstanding to Aegean, respectively.

During the nine months ended September 30, 2011 and 2010, the Company incurred other expenditures totaling \$2,985 and \$0, respectively, reimbursable to General Maritime Corporation ( GMC ), where the Company s Chairman, Peter C. Georgiopoulos, also serves as Chairman of the Board of GMC. At September 30, 2011 and December 31, 2010, the amount due to GMC from the Company was \$0.

The Company receives internal audit services from employees of Genco, the Company s Parent. For the nine months ended September 30, 2011 and 2010, the Company incurred internal audit service fees of \$16,881 and \$17,668, respectively, which are reimbursable to Genco pursuant to the Management Agreement (Refer to Note 13 Commitments and Contingencies for further information regarding the Management Agreement). At September 30, 2011 and December 31, 2010, the amount due to Genco from the Company was \$2,517 and \$14,763, respectively, for such services and is included in due to Parent.

During the nine months ended September 30, 2011 and 2010, Genco, the Company s parent, incurred costs of \$68,486 and \$186,384 on the Company s behalf to be reimbursed to Genco pursuant to the Management Agreement. At September 30 2011, and December 31, 2010, the amount due to Genco from the Company was \$14,414 and \$68,572, respectively, for such costs and is included in due to Parent.

Genco also provides the Company with commercial, technical, administrative and strategic services pursuant to the Management Agreement. During the nine months ended September 30, 2011 and 2010, the Company incurred costs of \$2,232,156 and \$3,511,425 pursuant to the Management Agreement. At September 30, 2011, the amount due to Genco of \$253,637 included \$202,500 of technical service fees and \$51,137 of commercial service fees. At December 31, 2010 the amount due to Genco of \$1,654,669 included \$1,044,500 of sales and purchase fees, \$411,750 of technical service fees and \$198,419 of commercial service fees.

6 - DEBT

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On April 16, 2010, the Company entered into a \$100,000,000 senior secured revolving credit facility with Nordea Bank Finland plc, acting through its New York branch (as amended, the 2010 Credit Facility ). The Company entered into an amendment to this facility effective November 30, 2010 which, among other things, increased the commitment amount from \$100,000,000 to \$150,000,000. As of September 30, 2011, total available working capital borrowings were \$23,500,000, as \$1,500,000 was drawn down during 2010 for working capital purposes. As of September 30, 2011, \$43,750,000 remained available under the 2010 Credit Facility, as the total commitment under this facility decreased by \$5,000,000 from \$150,000,000 to \$145,000,000 on May 31, 2011. The total commitment will reduce in 11 consecutive semi-annual reductions of \$5,000,000 which commenced on May 31, 2011. On the maturity date, November 30, 2016, the total commitment will reduce to zero and all borrowings must be repaid in full.

As of September 30, 2011, the Company believes it is in compliance with all of the financial covenants under the 2010 Credit Facility.

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The following table sets forth the repayment of the outstanding debt of \$101,250,000 at September 30, 2011 under the 2010 Credit Facility:

Period Ending December 31,	Total
2011 (October 1, 2011 – December 31, 2011)	\$
2012	
2013	
2014	
2015	1,250,000
Thereafter	100,000,000
Total debt	\$ 101,250,000

### Interest rates

The following table sets forth the effective interest rate associated with the interest expense for the 2010 Credit Facility, excluding the cost associated with unused commitment fees. Additionally, it includes the range of interest rates on the debt, excluding the impact of unused commitment fees:

	Three months ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Effective Interest Rate (excluding impact of unused commitment fees)	3.28%	3.54%	3.29%	3.54%
Range of Interest Rates (excluding impact of unused commitment fees)	3.25% to 3.33%	3.51% to 3.60%	3.25% to 3.33%	3.51% to 3.60%

### 7 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments, which are equal to such instrument's carrying values at September 30, 2011 and December 31, 2010, are as follows:

	September 30, 2011	December 31, 2010
Cash and cash equivalents	\$ 5,296,373	\$ 5,796,862
Floating rate debt	101,250,000	101,250,000

The fair value of floating rate debt under the 2010 Credit Facility is estimated based on current rates offered to the Company for similar debt of the same remaining maturities. Additionally, the Company considers its creditworthiness in determining the fair value of the floating rate debt under the revolving credit facility. The carrying value approximates the fair market value for this floating rate loan. The carrying amounts of the Company's other financial instruments at September 30, 2011 and December 31, 2010 (principally Due from charterers and Accounts payable and accrued expenses), approximate fair values because of the relatively short maturity of these instruments.

8 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	September 30, 2011	December 31, 2010
Accounts payable	\$ 416,496	\$ 1,378,822
Accrued vessel operating expenses	1,072,281	1,529,007
Accrued general and administrative expenses	340,105	437,437
<b>Total</b>	<b>\$ 1,828,882</b>	<b>\$ 3,345,266</b>

9 - FIXED ASSETS

Fixed assets consist of the following:

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	September 30, 2011		December 31, 2010
Fixed assets:			
Computer equipment, at cost	\$ 43,444	\$	43,444
	43,444		43,444
Less: accumulated depreciation	16,871		6,060
Total	\$ 26,573	\$	37,384

Depreciation expense for fixed assets for the three months ended September 30, 2011 and 2010 was \$3,643 and \$2,013, respectively.

Depreciation expense for fixed assets for the nine months ended September 30, 2011 and 2010 was \$10,812 and \$4,047, respectively.

### 10 - REVENUE FROM SPOT MARKET-RELATED TIME CHARTERS

Total revenue earned on spot market-related time charters and the short-term time charter for the Baltic Leopard for the three and nine months ended September 30, 2011 was \$10,897,511 and \$30,355,089, respectively. Total revenue earned on spot market-related time charters and the short-term time charter for the Baltic Cougar for the three and nine months ended September 30, 2010 was \$10,406,663 and \$17,397,426, respectively. Future minimum time charter revenue for the Company's vessels cannot be estimated as the vessels are currently on spot market-related time charters, and future spot rates cannot be estimated. The spot market-related time charters that the Company's vessels are currently employed on have contracted expiration dates that range from March 2012 to July 2014.

### 11 - NONVESTED STOCK AWARDS

The following table presents a summary of the Company's restricted stock awards for the nine months ended September 30, 2011:

	Number of Shares		Weighted Average Grant Date Price
Outstanding at January 1, 2011	583,500	\$	13.40
Granted	12,500		6.92
Vested	(129,000)		14.00
Forfeited			
Outstanding at September 30, 2011	467,000	\$	13.06

The total fair value of shares that vested under the Plan during the nine months ended September 30, 2011 and 2010 was \$1,131,330 and \$0, respectively. The total fair value is calculated as the number of shares vested during the period multiplied by the fair value on the vesting date.

For the three and nine months ended September 30, 2011 and 2010, the Company recognized nonvested stock amortization expense for the Plan, which is included in general, administrative and technical management fees, as follows:



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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
General, administrative and technical management fees	\$ 622,742	\$ 892,172	\$ 2,173,751	\$ 1,985,595

The Company is amortizing these grants over the applicable vesting periods, net of anticipated forfeitures. As of September 30, 2011, unrecognized compensation cost of \$2,838,451 related to nonvested stock will be recognized over a weighted-average period of 2.56 years.

12 - LEGAL PROCEEDINGS

From time to time, the Company may be subject to legal proceedings and claims in the ordinary course of its business, principally personal injury and property casualty claims. Such claims, even if lacking merit, could result in the expenditure of

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significant financial and managerial resources. The Company is not aware of any legal proceedings or claims that it believes will have, individually or in the aggregate, a material effect on the Company, its financial condition, results of operations or cash flows.

13 - COMMITMENTS AND CONTINGENCIES

Genco, the Company's parent, provides the Company with commercial, technical, administrative and strategic services necessary to support the Company's business pursuant to the Company's Management Agreement with Genco. If the Company terminates the agreement without cause or for Genco's change of control, or if Genco terminates the agreement for the Company's material breach or change of control, the Company must make a termination payment to Genco in a single lump sum within 30 days of the termination date. The termination payment is generally calculated as five times the average annual management fees payable to Genco for the last five completed years of the term of the Management Agreement, or such lesser number of years as may have been completed at the time of termination. As of September 30, 2011, the termination payment that would be due to Genco is approximately \$30.4 million. Refer to Note 5 - Related Party Transactions for any costs incurred during the nine months ended September 30, 2011 and 2010 pursuant to the Management Agreement.

14 - SUBSEQUENT EVENTS

On October 27, 2011, the Company declared a dividend of \$0.12 per share to be paid on or about November 18, 2011 to shareholders of record as of November 11, 2011. The aggregate amount of the dividend is expected to be approximately \$2.7 million, which the Company anticipates will be funded from cash on hand at the time payment is to be made.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This report 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, estimate, expect, project, intend, plan, believe, and other words 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 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 report are the following: (i) expectations of our ability to pay dividends on our common stock and Class B stock; (ii) changes in demand or rates in the drybulk shipping industry; (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) the adequacy of our insurance arrangements; (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) the ability to leverage Genco's relationships and reputation in the shipping industry; (xii) the completion of definitive documentation with respect to charters; (xiii) charterers' compliance with the terms of their charters in the current market environment; and other factors listed from time to time in our filings with the Securities and Exchange Commission, including, without limitation, our Annual Report on Form 10-K for the year ended December 31, 2010 and subsequent reports on Form 8-K and Form 10-Q. Our ability to pay dividends in any period will depend upon various factors, including the limitations under any credit agreements to which we may be a party, applicable provisions of Marshall Islands law and the final determination by the Board of Directors each quarter after its review of

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our financial performance. The timing and amount of dividends, if any, could also be affected by factors affecting cash flows, results of operations, required capital expenditures, or reserves. As a result, the amount of dividends actually paid may vary.

The following management's discussion and analysis should be read in conjunction with our condensed consolidated financial statements and the related notes included in this Form 10-Q.

### General

We are a New York City-based company incorporated in October 2009 in the Marshall Islands to conduct a shipping business focused on the drybulk industry spot market. We were formed by Genco Shipping & Trading Limited (NYSE: GNK) ( "Genco" ), an international drybulk shipping company that also serves as our Manager. Our fleet currently consists of two Capesize vessels, four Supramax vessels and three Handysize vessels with an aggregate carrying capacity of approximately 672,000 dwt. Our fleet contains three groups of sister ships, which are vessels of virtually identical sizes and specifications. We believe that maintaining a fleet that includes sister ships reduces costs by creating economies of scale in the maintenance, supply and crewing of our vessels.

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We intend to leverage the expertise and reputation of Genco to pursue growth opportunities in the drybulk shipping spot market. To pursue these opportunities, we have been acquiring and operating a fleet of drybulk ships that will transport iron ore, coal, grain, steel products and other drybulk cargoes along worldwide shipping routes. We plan to operate all of our vessels in the spot market, on spot market-related time charters, or in vessel pools trading in the spot market. We expect to finance our fleet primarily with equity capital and have entered into a revolving credit facility for bridge financing for acquisitions. We aim to grow our fleet through timely and selective acquisitions of vessels in a manner that is accretive to our earnings and cash flow. We intend to distribute to our shareholders on a quarterly basis all of our net income less cash expenditures for capital items related to our fleet, other than vessel acquisitions and related expenses, plus non-cash compensation, during the previous quarter, subject to any additional reserves our Board of Directors may from time to time determine are required for the prudent conduct of our business, as further described below under **Dividend Policy**.

Refer to page 21 for a table of all vessels that have been delivered to us.

Our operations are managed, under the supervision of our Board of Directors, by Genco as our Manager. We entered into a long-term management agreement (the **Management Agreement**) pursuant to which our Manager and its affiliates apply their expertise and experience in the drybulk industry to provide us with commercial, technical, administrative and strategic services. The Management Agreement is for an initial term of approximately fifteen years and will automatically renew for additional five-year periods unless terminated in accordance with its terms. We pay our Manager fees for the services it provides us as well as reimburse our Manager for its costs and expenses incurred in providing certain of these services.

**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, Time Charter Equivalent ( **TCE** ) rates and daily vessel operating expenses for the three and nine months ended September 30, 2011 and 2010.

	For the Three Months Ended September		Increase (Decrease)	% Change
	2011	30, 2010		
<b>Fleet Data:</b>				
<i>Ownership days (1)</i>				
Capesize	184.0	92.0	92.0	100.0%
Supramax	368.0	368.0		
Handysize	276.0	96.4	179.6	186.3%
<b>Total</b>	<b>828.0</b>	<b>556.4</b>	<b>271.6</b>	<b>48.8%</b>
<i>Available days (2)</i>				
Capesize	184.0	92.0	92.0	100.0%
Supramax	368.0	368.0		
Handysize	276.0	95.1	180.9	190.2%
<b>Total</b>	<b>828.0</b>	<b>555.1</b>	<b>272.9</b>	<b>49.2%</b>
<i>Operating days (3)</i>				

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Capesize	184.0	92.0	92.0	100.0%
Supramax	358.4	352.2	6.2	1.8%
Handysize	276.0	94.8	181.2	191.1%
Total	818.4	539.0	279.4	51.8%
<i>Fleet utilization (4)</i>				
Capesize	100.0%	100.0%		
Supramax	97.4%	95.7%	1.7%	1.8%
Handysize	100.0%	99.7%	0.3%	0.3%
Fleet average	98.8%	97.1%	1.7%	1.8%

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**Average Daily Results:**

*Time Charter Equivalent (5)*