

Eagle Bulk Shipping Inc.
Form 424B1
June 23, 2005

[QuickLinks](#) -- Click here to rapidly navigate through this document

Filed Pursuant to Rule 424(b)(1)
Registration No. 333-123817

PROSPECTUS

JUNE 22, 2005

14,400,000 Shares

Eagle Bulk Shipping Inc.

Common Stock

This is the initial public offering of our common stock. No public market currently exists for our common stock. We are offering all of the 14,400,000 shares of common stock offered by this prospectus.

Our shares of common stock have been approved for quotation on the Nasdaq National Market under the trading symbol "EGLE."

Investing in our common stock involves a high degree of risk. Before buying any shares you should carefully read the discussion of material risks of investing in our common stock in "Risk Factors" beginning on page 11 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share		Total	
Public offering price	\$	14.000	\$	201,600,000
Underwriting discounts and commissions	\$	0.945	\$	13,608,000
Proceeds, before expenses, to us	\$	13.055	\$	187,992,000

The underwriters may also purchase up to an additional 2,160,000 shares from us at the public offering price, less the underwriting discounts and commissions payable by us, to cover over-allotments, if any, within 30 days from the date of this prospectus. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be \$15,649,200 and the proceeds, before expenses, to us will be

\$216,190,800.

The underwriters are offering the common stock as set forth under "Underwriting". Delivery of shares will be made on or about June 28, 2005.

UBS Investment Bank

Bear, Stearns & Co. Inc.

Citigroup

Credit Suisse First Boston

You should rely only on information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to give any information or to make any representations other than those contained in this prospectus. Do not rely upon any information or representations made outside of this prospectus. This prospectus is not an offer to sell, and it is not soliciting an offer to buy, (1) any securities other than shares of our common stock or (2) shares of our common stock in any circumstances in which our offer or solicitation is unlawful. The information contained in this prospectus may change after the date of this prospectus. Do not assume after the date of this prospectus that the information contained in this prospectus is still correct.

TABLE OF CONTENTS

Prospectus Summary	1
Risk Factors	11
Forward-Looking Statements	24
Use Of Proceeds	25
Dividend Policy	26
Capitalization	28
Dilution	29
Selected Consolidated Financial Data	30
Management's Discussion And Analysis Of Financial Condition And Results Of Operations	31
The International Dry Bulk Shipping Industry	42
Business	52
New Credit Facility	63
Management	65
Principal Stockholders	71
Certain Relationships and Related Party Transactions	73
Shares Eligible For Future Sale	76
Description Of Capital Stock	78
Certain Marshall Islands Company Considerations	82
Tax Considerations	86
Underwriting	96
Legal Matters	99
Experts	99
Where You Can Find Additional Information	100
Glossary Of Shipping Terms	101
Index To Consolidated Financial Statements	F-1

DRY BULK SHIPPING INDUSTRY DATA

The discussions contained under the sections of this prospectus entitled "Prospectus Summary," "Business" and "The International Dry Bulk Shipping Industry" have been reviewed by Drewry Shipping Consultants, Ltd., or Drewry, which has confirmed to us that they accurately describe the international dry bulk shipping industry, subject to the reliability of the data supporting the statistical and graphical information presented in this prospectus.

The statistical and graphical information we use in this prospectus has been compiled by Drewry from its database. Drewry compiles and publishes data for the benefit of its clients. Its methodologies for collecting data, and therefore the data collected, may differ from those of other sources, and its data does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the market.

PROSPECTUS SUMMARY

This section summarizes some of the information and consolidated financial statements that appear later in this prospectus. As an investor or prospective investor, you should review carefully the risk factors and the more detailed information and financial statements that appear later. In this prospectus, references to "Eagle Bulk Shipping Inc.", "we", "us", "our company" and "our" refer to Eagle Bulk Shipping Inc. and its subsidiaries. References to our "fleet" refer to the 11 Handymax dry bulk vessels that we have purchased or agreed to purchase. The information in this prospectus gives effect to a 25,500:1 stock split in the form of a stock dividend which occurred on June 14, 2005.

Our Company

We are Eagle Bulk Shipping Inc., a newly-formed Marshall Islands corporation headquartered in New York City. We are the largest U.S. based owner of Handymax dry bulk vessels. Handymax dry bulk vessels range in size from 35,000 to 60,000 deadweight tons, or dwt, and transport a broad range of major and minor bulk cargoes, including iron ore, coal, grain, cement and fertilizer, along worldwide shipping routes. We own a modern fleet of Handymax dry bulk vessels that we have purchased or agreed to purchase from unrelated third parties. We have taken delivery of eight vessels and expect delivery of the remaining three vessels between June and August 2005. Our 11 vessel fleet has a combined carrying capacity of 540,816 dwt and an average age of only six years as of June 2005, as compared to an average age for the world Handymax dry bulk fleet of over 15 years.

Our strategy is to charter our vessels primarily pursuant to one- to three-year time charters to allow us to take advantage of the stable cash flow and high utilization rates that are associated with medium- to long-term time charters. We have entered into time charters for all of our vessels, which have an average length of approximately two years and an average daily rate of approximately \$23,800. For the years 2005 and 2006, 100% and 76%, respectively, of our fleet's available days are committed on time charters, assuming that our charterers redeliver the vessels to us upon the earliest redelivery date under the charters.

A time charter involves the hiring of a vessel from its owner for a period of time pursuant to a contract under which the vessel owner places its ship (including its crew and equipment) at the service of the charterer. Under a typical time charter, the charterer pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of fuel and port and canal charges. Subject to certain restrictions imposed by us in the contract, the charterer determines the type and quantity of cargo to be carried and the ports of loading and discharging. The technical operation and navigation of the vessel at all times remains our responsibility, including vessel operating expenses, such as the cost of crewing, insuring, repairing and maintaining the vessel, costs of spare parts and supplies, tonnage taxes and other miscellaneous expenses.

Our Fleet

The following table presents certain information concerning our fleet as of June 2005.

Vessel	Delivery Date	Dwt	Age	Time Charter Expiration Date (1)	Daily Time Charter Hire Rate
<i>Cardinal (2)</i>	April 18, 2005	55,362	1 year	March 2007 to June 2007	\$ 26,500
<i>Harrier (3)</i>	April 19, 2005	50,296	4 years	March 2007 to June 2007	\$ 23,750
<i>Falcon (3)</i>	April 21, 2005	50,296	4 years	February 2008 to June 2008	\$ 20,950
<i>Hawk I (3)</i>	April 26, 2005	50,296	4 years	March 2007 to June 2007	\$ 23,750
<i>Condor (3)</i>	April 29, 2005	50,296	4 years	November 2006 to March 2007	\$ 24,000
<i>Shikra</i>	April 29, 2005	41,096	21 years	July 2006 to November 2006	\$ 22,000
<i>Kite</i>	May 9, 2005	47,195	8 years	March 2006 to May 2006	\$ 25,000
<i>Griffon</i>	June 1, 2005	46,635	10 years	February 2006 to April 2006	\$ 28,000
<i>Peregrine (2)(4)</i>	Expected June/July 2005	50,913	4 years	October 2006 to January 2007	\$ 24,000
<i>Sparrow (2)(4)</i>	Expected July 2005	48,225	5 years	November 2006 to February 2007	\$ 22,500
<i>Osprey I (3)(4)(5)</i>	Expected August 2005	50,206	3 years	May 2008 to September 2008	\$ 21,000

- (1) The date range provided represents the earliest and latest date on which the charterer may redeliver the vessel to us upon the termination of the charter.
- (2) These vessels are similar ships built at the same shipyard.
- (3) These vessels are sister ships.
- (4) As expected to be renamed by us after delivery.
- (5) The charterer has an option to extend the charter period by up to 26 months at a daily time charter hire rate of \$25,000.

Management of Our Fleet

Our senior management team is led by Sophocles Zoullas, a New York native who has 20 years of experience in the shipping industry, with a primary focus on the Handymax and Handysize dry bulk sectors. Our New York City based management team undertakes all commercial and strategic management of our fleet and supervises the technical management of our vessels. The technical management of our fleet is provided by an unaffiliated third party, V.Ships, which we believe is the world's largest provider of independent ship management and related services, and to which we refer to as our technical manager.

Strategic management. We locate, obtain financing and insurance for, purchase and sell vessels.

Commercial management. We obtain employment for our vessels and manage our relationships with charterers.

Technical Management. The technical manager performs day-to-day operations and maintenance of our vessels.

Our Competitive Strengths

We believe that we have a number of strengths that provide us with a competitive advantage in the dry bulk shipping industry, including:

A fleet of 11 Handymax dry bulk vessels. We are the largest U.S. based owner of Handymax dry bulk vessels. We view Handymax vessels as a highly attractive sector of the dry bulk shipping industry relative to larger vessel sectors due to their:

- reduced volatility in charter rates;
- smaller newbuilding orderbook;
- increased operating flexibility;
- ability to access more ports;
- ability to carry a more diverse range of cargoes; and
- broader customer base.

A modern, high quality fleet. Our 11 Handymax vessels have an average age of only six years as of June 2005, as compared to an average age for the world Handymax dry bulk fleet of over 15 years. We believe that owning a modern, high quality fleet reduces operating costs, improves safety and provides us with a competitive advantage in securing employment for our ships. Our fleet was built to high standards and 10 of our vessels were built at leading Japanese shipyards, including Mitsui Engineering and Shipbuilding Co., Ltd., or Mitsui, which built six of our vessels, and Oshima Shipbuilding Co., Ltd., or Oshima, which built four of our vessels.

A fleet of sister and similar ships. Our fleet includes a group of five identical sister ships built at the Mitsui shipyard based upon the same design specifications and three similar ships built at the Oshima shipyard that use many of the same parts and equipment. Operating sister and similar ships provides us with operational and scheduling flexibility, efficiencies in employee training and lower inventory and maintenance expenses. We believe that this should allow us both to increase revenue and lower operating costs.

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

A medium- to long-term fixed-rate time charter program. We have entered into time charters for all of our vessels. Our charters range in length from one to three years with an average of approximately two years and provide for fixed semi-monthly payments in advance. We believe that this structure provides significant visibility to our future financial results and allows us to take advantage of the stable cash flows and high utilization rates that are associated with medium- to long-term time charters.

An experienced management team. Our New York City based team of senior executives, including Sophocles Zoullas, has an average of 20 years of experience in the shipping industry, primarily in the Handymax and Handysize dry bulk sectors. The members of our management team have developed strong industry relationships with leading charterers, shipbuilders, insurance underwriters, protection and indemnity associations and financial institutions.

A strong balance sheet with a low level of indebtedness. We intend to use a portion of the net proceeds from this offering to repay the majority of our outstanding indebtedness. We expect that the repayment of a majority of our outstanding indebtedness will strengthen our balance sheet and increase the amount of funds we may draw under our new credit facility in connection with future acquisitions.

Our Business Strategy

Our strategy is to manage and expand our fleet in a manner that enables us to pay attractive dividends to our stockholders. To accomplish this objective, we intend to:

Operate a modern, high quality fleet of Handymax dry bulk vessels. We believe that our ability to maintain and increase our customer base will depend largely on the quality of our fleet. We believe that owning a modern, high quality fleet reduces operating costs, improves safety and provides us with a competitive advantage in obtaining employment for our vessels. We will carry out regular inspections and maintenance of our fleet in order to maintain its high quality.

Pursue medium- to long-term charters with the flexibility to pursue short-term charters in the future. We have chartered our vessels pursuant to a combination of one- to three-year time charters with an average duration of approximately two years that provide stable cash flows. We will continue to strategically monitor developments in the dry bulk shipping market on a regular basis. Based on market conditions, we may consider taking advantage of short-term rates in the future.

Maintain low cost, highly efficient operations. We believe that we are a cost-efficient and reliable owner and operator of dry bulk vessels due to the young age of our vessels, our groups of sister and similar ships and the strength of our management team. We intend to actively monitor and control vessel operating expenses while maintaining the high quality of our fleet through regular inspection and maintenance programs. We also intend to take advantage of savings that result from the economies of scale that V.Ships provides us through access to bulk purchasing of supplies, quality crew members and a global service network of engineers, naval architects and port captains.

Expand our fleet through selective acquisitions of dry bulk vessels. We intend to grow our fleet through timely and selective acquisitions of additional vessels in a manner that is accretive to earnings and dividends per share. We expect to focus primarily in the Handymax sector of the dry bulk shipping industry. We may also consider acquisitions of other sizes of dry bulk vessels, including Handysize vessels, but do not intend to acquire tankers.

Maintain a strong balance sheet with low leverage. We intend to use a portion of the net proceeds from this offering to repay the majority of our outstanding indebtedness. In the future, we expect to draw funds under our new credit facility to fund vessel acquisitions. We intend to

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

repay all or a portion of our acquisition related debt from time to time with the net proceeds of equity issuances. While our leverage will vary according to our acquisition strategy and our ability to refinance acquisition related debt through equity offerings on terms acceptable to us, we generally intend to limit the amount of indebtedness that we have outstanding at any time to low levels for our industry. We believe this strategy will provide us with flexibility in pursuing acquisitions that are accretive to earnings and dividends per share.

Dividend Policy

Our policy is to declare quarterly dividends to stockholders in February, April, July and October in amounts that are substantially equal to our available cash from operations during the previous quarter less any cash reserves for drydockings and working capital.

Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors. We intend to grow our business through timely and selective acquisitions of additional vessels in a manner that is accretive to earnings and dividends per share. We expect to fund our vessel acquisitions with borrowings under our new credit facility. In times when we make acquisitions, our board of directors may limit our dividends per share to the amount that we would have been able to pay if all or a portion of our acquisition related debt had been financed with equity as described in the section of this prospectus entitled "Dividend Policy."

While we cannot assure you that we will do so, and subject to the limitations set forth above and in the sections of this prospectus entitled "Dividend Policy" and "Risk Factors", we expect to declare a quarterly dividend of \$14.4 million, or \$0.53 per share, in October 2005 and a dividend of \$15.5 million, or \$0.57 per share, in February 2006, assuming, in the case of per share amounts, that the underwriters do not exercise their over-allotment option. However, we may incur expenses or liabilities, including unbudgeted or extraordinary expenses, or decreases in revenues, including as a result of unanticipated off-hire days or a loss of a vessel, that could reduce or eliminate the amount of cash that we have available for distribution as dividends.

We believe that, under current law, our dividend payments from earnings and profits will constitute "qualified dividend income" and as such non-corporate United States stockholders will generally be subject to a 15% United States federal income tax rate with respect to such dividend payments. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of a United States stockholder's tax basis in its common stock on a dollar-for-dollar basis and thereafter as capital gain. Please see the section of this prospectus entitled "Tax Considerations" for additional information relating to the tax treatment of our dividend payments.

Our ability to make dividend payments will depend on the ability of our subsidiaries to distribute funds to us. In addition, Marshall Islands law generally prohibits the payment of dividends other than from surplus or when a company is insolvent or if the payment of the dividend would render the company insolvent. Under the terms of our new credit facility, we will not be permitted to pay dividends if there is a default or a breach of a loan covenant. In addition, we will not be permitted to pay dividends in amounts exceeding our earnings before interest, taxes, depreciation and amortization, or EBITDA, less the aggregate amount of interest incurred and net amounts payable under interest rate hedging arrangements during the relevant period and an agreed upon reserve for drydockings. Please see the sections of this prospectus entitled "Dividend Policy," "New Credit Facility" and "Tax Considerations" for additional information regarding our dividend payments.

Our New Credit Facility

In connection with this offering, we expect to enter into a new \$330 million credit facility with The Royal Bank of Scotland plc that we will use to refinance our existing indebtedness, for vessel acquisitions and for general corporate purposes. Our new credit facility is expected to have a term of

10 years, with no principal amortization for the first five years. Borrowings under the credit facility will bear interest at an annual interest rate of LIBOR plus a margin of 0.95%. Borrowings under the credit facility will be secured by mortgages on our vessels and assignments of our earnings and insurance. Upon consummation of this offering, and giving effect to the application of a portion of the net proceeds therefrom and cash on hand to repay existing indebtedness, we expect to have \$60.0 million of outstanding debt. We expect to finance the \$97.4 million balance of the purchase price of the three additional vessels scheduled to be delivered from June to August 2005 with borrowings under our new credit facility and cash on hand. Please see the section of this prospectus entitled "New Credit Facility" for additional information regarding our new credit facility.

Corporate Structure

Eagle Bulk Shipping Inc. is a holding company incorporated under the laws of the Marshall Islands in March 2005. Following our incorporation, we merged with Eagle Holdings LLC, a Marshall Islands limited liability company formed in January 2005, and became a wholly owned subsidiary of Eagle Ventures LLC, or Eagle Ventures, a Marshall Islands limited liability company. Eagle Ventures is owned by Kelso Investment Associates VII, L.P., KEP VI, LLC, our management and outside investors. Kelso Investment Associates VII, L.P. and KEP VI, LLC are both affiliates of Kelso & Company, L.P., or Kelso.

We carry out the commercial management of our fleet through our wholly-owned subsidiary, Eagle Shipping International (USA) LLC, a Marshall Islands limited liability company that was formed in January 2005 and maintains its principle executive offices in New York City. Each of our vessels is or will be owned by us through a separate wholly owned Marshall Islands limited liability company.

We maintain our principal executive offices at 29 Broadway, New York, New York 10006. Our telephone number at that address is (212) 785-2500.

The following chart illustrates our current corporate structure:

Compensation of Executives

Members of our management have been awarded, and certain additional members of management may be awarded in the future, profits interests in Eagle Ventures that may entitle such persons to a portion of any appreciation in the value of the assets of Eagle Ventures (including shares of our common stock owned by Eagle Ventures when sold). These profits interests will dilute only the owners of Eagle Ventures, and will not dilute direct holders of our common stock, including stockholders that purchase shares of our common stock in this offering. However, to the extent that such profits interests vest and become payable to management, our income statement will reflect non-cash charges for such amounts based on the fair value of the interests at the end of each reporting period. In addition to the profits interests in Eagle Ventures, we have adopted a stock incentive plan, or our 2005 Stock Incentive Plan, that we may use to award equity based compensation to members of our management team and others. Awards granted under our 2005 Stock Incentive Plan will dilute all of our stockholders and also will result in non-cash charges to our income statement. Certain profits interests in Eagle Ventures granted to members of our management will vest upon the consummation of this offering which are expected to result in a non-cash charge of approximately \$9 million. The non-cash charge is estimated based on the anticipated fair value of the vested profits interests at the initial public offering price of our common stock of \$14.00 per share. Please see the sections of this prospectus entitled "Certain Relationships and Related Party Transactions The Eagle Ventures Agreement," "Certain Relationships and Related Party Transactions Eagle Ventures Promissory Note" and "Management 2005 Stock Incentive Plan" for additional information regarding the profits interests granted to members of our management, our 2005 Stock Incentive Plan and distributions of proceeds from the repayment of the promissory note.

Our Equity Sponsor

Kelso is a New York based private investment firm founded in 1971. Since 1980, Kelso has acquired 80 companies, requiring total capital at closing in excess of \$20 billion.

The Offering

Common stock offered by us	14,400,000 shares
Common stock to be outstanding immediately after this offering ⁽¹⁾	27,150,000 shares
Underwriters' over-allotment option	2,160,000 shares
Use of proceeds	We estimate that we will receive net proceeds of approximately \$185.7 million from the issuance of new shares of common stock in this offering, after deducting underwriting discounts and commissions and estimated expenses payable by us. We intend to use \$183.5 million of the net proceeds to repay \$124.2 million of outstanding indebtedness under our existing credit facility and \$59.3 million of outstanding indebtedness owed to Eagle Ventures under a promissory note, including accrued interest. In addition, we intend to use \$1.2 million of the net proceeds of this offering to pay a fee under our new credit facility and \$1 million to pay a one-time fee to Kelso to terminate certain of our obligations under a financial advisory agreement with Kelso. Please see the section of this prospectus entitled "Use of Proceeds."
Nasdaq National Market	Shares of our common stock have been approved for quotation on the Nasdaq National Market under the symbol "EGLE."

(1) Assumes that our underwriters do not exercise their over-allotment option. Please see the section of this prospectus entitled "Underwriting."

Risk Factors

Investing in our common stock involves substantial risk. You should carefully consider all the information in this prospectus prior to investing in our common stock. In particular, we urge you to consider carefully the factors set forth in the section of this prospectus entitled "Risk Factors" beginning on page 11.

Summary Consolidated Financial Data

We were incorporated on March 23, 2005 and our predecessor, Eagle Holdings LLC, was formed on January 26, 2005. As of March 31, 2005, we had not taken delivery of any of our Handymax vessels and had only a limited history. The following table sets forth our summary consolidated financial data from our predecessor's inception on January 26, 2005 through March 31, 2005 and as of March 31, 2005, which has been derived from our audited consolidated financial statements. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein. In accordance with standard shipping industry practice, we did not obtain from the sellers historical operating data for the vessels that we acquired, as that data was not material to our decision to purchase the vessels. Accordingly, we have not included any historical financial data relating to the results of operations of our vessels from the period before our acquisition of them. Please see the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations Lack of Historical Operating Data for Vessels Before their Acquisition."

For the period from January 26, 2005 to
March 31, 2005

(in thousands except per share data)

Consolidated Statement of Operations Data	<u>Actual</u>		
Net loss	\$ 806		
Loss per share basic and diluted	(0.06)		
Pro forma loss per share basic and diluted (1)	(0.06)		
Consolidated Cash Flow Data			
Net cash used in operating activities	87		
Net cash used in investing activities	36,518		
Net cash from financing activities	\$40,792		
		<u>As Adjusted (2)</u>	<u>As further Adjusted(3)</u>
Consolidated Balance Sheet Data (As of Period End)			
Current assets	\$ 4,206	\$ 12,412	\$ 10,615
Total assets	40,905	280,411	279,784
Total liabilities	889	245,570	60,889
Long-term debt		244,680	60,000
Stockholders' equity	\$40,016	\$ 34,841	\$218,895

- (1) Pro forma loss per share gives effect to our assumed issuance of 478,682 shares at the initial public offering price of \$14.00 per share, which, if issued, would have generated net proceeds in an amount that would have been sufficient to fund our payment of a \$5.2 million fee to Kelso and certain non-management affiliates of Eagle Ventures pursuant to our financial advisory agreement with Kelso and a \$1 million fee to Kelso to terminate certain of our obligations under the financial advisory agreement.
- (2) As adjusted to give effect to (i) our purchase of our first eight Handymax dry bulk vessels in April and May 2005 (ii) our incurrence of approximately \$58.7 million of long-term debt under a promissory note issued to Eagle Ventures in May 2005, (iii) our incurrence of \$186.0 million of long-term debt under our existing credit facility in April and May 2005 and (iv) our payment of a \$5.2 million fee to Kelso and certain non-management affiliates of Eagle Ventures pursuant to our financial advisory agreement with Kelso. We used the proceeds from the debt financings described above to pay the balance of the purchase price for our first eight Handymax dry bulk vessels and to fund our initial working capital requirements.
- (3) As further adjusted to give effect to our issuance and sale of 14,400,000 shares of common stock in this offering at the initial public offering price of \$14.00 per share, the application of the proceeds therefrom to repay \$124.2 million of outstanding indebtedness under our existing credit facility and to repay \$59.3 million of indebtedness owed to Eagle Ventures under a promissory note, including accrued interest of \$0.6 million, and our repayment of \$1.8 million of outstanding indebtedness under our existing credit facility with cash on hand. In addition, we intend to use \$2.2 million of the net proceeds of this offering to pay a \$1.2 million fee under our new credit facility and to pay a \$1 million one-time fee to Kelso to terminate certain of our obligations under a financial advisory

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

agreement with Kelso. Total liabilities and total assets do not include amounts that we expect to borrow under our new credit facility to pay a portion of the \$97.4 million balance of the purchase price of the three additional vessels scheduled to be delivered between June and August 2005. We expect to finance the remaining portion of the balance of the purchase price with cash on hand.

RISK FACTORS

You should consider carefully the following factors, as well as the other information set forth in this prospectus, before making an investment in our common stock. Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or cash available for dividends or the trading price of our common stock and cause you to lose all or part of your investment.

Industry Specific Risk Factors

Charter hire rates for dry bulk vessels are near historically high levels and may decrease in the future, which may adversely affect our earnings

The dry bulk shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The degree of charter hire rate volatility among different types of dry bulk vessels has varied widely, and charter hire rates for dry bulk vessels are currently near historically high levels. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the major commodities carried by water internationally. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include:

- demand for and production of dry bulk products;
- global and regional economic conditions;
- the distance dry bulk is to be moved by sea; and
- changes in seaborne and other transportation patterns.

The factors that influence the supply of vessel capacity include:

- the number of newbuilding deliveries;
- the scrapping of older vessels;
- vessel casualties; and
- the number of vessels that are out of service.

We anticipate that the future demand for our dry bulk vessels will be dependent upon continued economic growth in the world's economies, including China and India, seasonal and regional changes in demand, changes in the capacity of the global dry bulk fleet and the sources and supply of dry bulk cargo to be transported by sea. The capacity of the global dry bulk carrier fleet seems likely to increase and there can be no assurance that economic growth will continue. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

Our ability to recharter our dry bulk vessels upon the expiration or termination of their time charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, the current state of the dry bulk shipping market. If the dry bulk shipping market is in a period of depression when our vessels' charters expire, we may be forced to re-charter them at

reduced rates or even possibly a rate whereby we incur a loss, which may reduce our earnings or make our earnings volatile.

In addition, because the market value of our vessels may fluctuate significantly, we may incur losses when we sell vessels, which may adversely affect our earnings. If we sell vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel's carrying amount on our financial statements, resulting in a loss and a reduction in earnings.

The market values of our vessels, which are near historically high levels, may decrease, which could limit the amount of funds that we can borrow under our new credit facility

The fair market values of our vessels have generally experienced high volatility and market prices for secondhand dry bulk vessels are currently near historically high levels. You should expect the market values of our vessels to fluctuate depending on general economic and market conditions affecting the shipping industry and prevailing charter hire rates, competition from other shipping companies and other modes of transportation, the types, sizes and ages of our vessels, applicable governmental regulations and the cost of newbuildings. If the market value of our fleet declines, we may not be able to draw down the full amount of our new credit facility and we may not be able to obtain other financing or incur debt on terms that are acceptable to us or at all. Please see the section of this prospectus entitled "The International Dry Bulk Shipping Industry" for information concerning historical prices of dry bulk vessels.

The market values of our vessels, which are near historically high levels, may decrease, which could cause us to breach covenants in our new credit facility and adversely affect our operating results

If the market values of our vessels, which are near historically high levels, decrease, we may breach some of the covenants contained in the financing agreements relating to our indebtedness at the time, including covenants in our new credit facility. If we do breach such covenants and we are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our fleet. In addition, if the book value of a vessel is impaired due to unfavorable market conditions or a vessel is sold at a price below its book value, we would incur a loss that could adversely affect our operating results.

World events could affect our results of operations and financial condition

Terrorist attacks such as the attacks on the United States on September 11, 2001 and the continuing response of the United States to these attacks, as well as the threat of future terrorist attacks in the United States or elsewhere, continues to cause uncertainty in the world financial markets and may affect our business, operating results and financial condition. The continuing conflict in Iraq may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

Our operating results will be subject to seasonal fluctuations, which could affect our operating results and the amount of available cash with which we can pay dividends

We will operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. To the extent we operate vessels in the spot market, this seasonality may result in quarter-to-quarter volatility in our operating results, which could affect the amount of dividends that we pay to our stockholders from quarter to quarter. The dry bulk shipping market is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. While this seasonality will not affect our operating results, as long as our fleet is employed on time charters, if our vessels are employed in the spot market in the future, it could materially affect our operating results and cash available for distribution to our stockholders.

We are subject to international safety regulations and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports

The operation of our vessels is affected by the requirements set forth in the International Maritime Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. Each of the vessels that has been delivered to us is ISM Code-certified and we expect that each other vessel that we have agreed to purchase will be ISM Code-certified when delivered to us.

Maritime claimants could arrest one or more of our vessels, which could interrupt our cash flow

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a claimant may seek to obtain security for its claim by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of money to have the arrest or attachment lifted. In addition, in some jurisdictions, such as South Africa, under the "associated ship" theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could attempt to assert "associated ship" liability against one vessel in our fleet for claims relating to another of our vessels.

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

A government could requisition one or more of our vessels for title or for hire. Requisition for title occurs when a government takes control of a vessel and becomes her owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we would be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of

payment would be uncertain. Government requisition of one or more of our vessels may negatively impact our revenues and reduce the amount of cash we have available for distribution as dividends to our stockholders.

Company Specific Risk Factors

We are a newly formed company and have a limited operating history

Our company and our predecessor company, Eagle Holdings LLC, were formed in March 2005 and January 2005, respectively, and we did not own or operate any vessels prior to April 2005. We, therefore, do not have any meaningful operating history or historical financial data with which to evaluate our operations or our ability to implement and achieve our business strategy.

We cannot assure you that our board of directors will declare dividends

Our policy is to declare quarterly dividends to stockholders in February, April, July and October in amounts that are substantially equal to our available cash from operations during the previous quarter less any cash reserves for drydockings and working capital. The declaration and payment of dividends, if any, will always be subject to the discretion of our board of directors, restrictions contained in our new credit facility and the requirements of Marshall Islands law. The timing and amount of any dividends declared, if any, will depend on, among other things, our earnings, financial condition and cash requirements and availability, our ability to obtain debt and equity financing on acceptable terms as contemplated by our growth strategy, the terms of our outstanding indebtedness and the ability of our subsidiaries to distribute funds to us. Although our fleet is currently committed to time charters, the international dry bulk shipping industry is highly volatile, and we cannot predict with certainty the amount of cash, if any, that will be available for distribution as dividends in any period. Also, there may be a high degree of variability from period to period in the amount of cash that is available for the payment of dividends.

We may incur expenses or liabilities or be subject to other circumstances in the future that reduce or eliminate the amount of cash that we have available for distribution as dividends, including as a result of the risks described in this prospectus. Our growth strategy contemplates that we will finance our acquisitions of additional vessels through debt financings on terms acceptable to us. If financing is not available to us on acceptable terms, our board of directors may determine to finance or refinance acquisitions with cash from operations, which would reduce or even eliminate the amount of cash available for the payment of dividends.

Under the terms of our new credit facility, we will not be permitted to pay dividends if there is a default or a breach of a loan covenant. In addition, we will not be permitted to pay dividends in amounts exceeding our earnings before interest, taxes, depreciation and amortization, or EBITDA, less the aggregate amount of interest incurred and net amounts payable under interest rate hedging arrangements during the relevant period and an agreed upon reserve for drydockings. Please see the section of this prospectus entitled "New Credit Facility" for more information relating to restrictions on our ability to pay dividends under the terms of our new credit facility.

Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or while a company is insolvent or would be rendered insolvent by the payment of such a dividend. We may not have sufficient surplus in the future to pay dividends and our subsidiaries may not have sufficient funds or surplus to make distributions to us. We can give no assurance that dividends will be paid at all.

We may have difficulty managing our planned growth properly

The recent formation of our company, this offering and the acquisition and management of 11 vessels will impose significant responsibilities on our management and staff. As we have a limited operating history, it is difficult to accurately predict our management needs. Accordingly, we may be required to increase the number of our personnel. We will also have to manage our customer base so that we can provide continued employment for our vessels upon the expiration of our time charters.

We intend to continue to grow our business. Our future growth will primarily depend on:

- locating and acquiring suitable vessels;
- identifying and consummating acquisitions;
- enhancing our customer base;
- managing our expansion; and
- obtaining required financing on acceptable terms.

Growing any business by acquisition presents numerous risks, such as undisclosed liabilities and obligations, the possibility that indemnification agreements will be unenforceable or insufficient to cover potential losses and difficulties associated with imposing common standards, controls, procedures and policies, obtaining additional qualified personnel, managing relationships with customers and integrating newly acquired assets and operations into existing infrastructure. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with our future growth. In addition, although our executives have significant industry experience, they do not have any experience managing a public company and may not be able to successfully do so.

We cannot assure you that we will be able to borrow amounts under our new credit facility and restrictive covenants in our new credit facility may impose financial and other restrictions on us

We expect to enter into a new senior secured credit facility with our current lender that we intend to use to refinance a portion of our outstanding indebtedness, to fund vessel acquisitions and, if necessary, for working capital requirements. Our ability to borrow amounts under the new credit facility will be subject to the execution of customary documentation relating to the facility, including security documents, satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. In connection with vessel acquisitions, amounts borrowed may not exceed 60% of the value of the vessels securing our obligations under the credit facility. Our ability to borrow such amounts, in each case, will be subject to our lender's approval of the vessel acquisition. Our lender's approval will be based on the lender's satisfaction of our ability to raise additional capital through equity issuances in amounts acceptable to our lender and the proposed employment of the vessel to be acquired. To the extent that we are not able to satisfy these requirements, including as a result of a decline in the value of our vessels, we may not be able to draw down the credit facility in connection with a vessel acquisition without obtaining a waiver or consent from the lender.

The new credit facility will also impose operating and financial restrictions on us. These restrictions may limit our ability to, among other things:

- pay dividends in amounts exceeding our earnings before interest, taxes, depreciation and amortization, or EBITDA, less the aggregate amount of interest incurred and net amounts payable under interest rate hedging arrangements during the relevant period and an agreed upon reserve for drydockings;

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

change our Chief Executive Officer without the approval of our lender;

incur additional indebtedness;

change the flag, class or management of our vessels;

create liens on our assets;

sell our vessels;

merge or consolidate with, or transfer all or substantially all our assets to, another person;

enter into a new line of business; and

enter into a time charter or consecutive voyage charters that has a term that exceeds, or which by virtue of any optional extensions may exceed, thirteen months.

In addition, we will not be permitted to pay dividends if there is a default or a breach of a loan covenant under the credit facility or if the payment of the dividends would result in a default or breach of a loan covenant. Our indebtedness may also be accelerated if we experience a change of control. Therefore, we may need to seek permission from our lender in order to engage in some corporate actions. Our lender's interests may be different from ours and we cannot guarantee you that we will be able to obtain our lender's permission when needed. This may limit our ability to pay dividends to you, finance our future operations, make acquisitions or pursue business opportunities.

We cannot assure you that we will be able to refinance indebtedness incurred under our credit facility

We cannot assure you that we will be able to refinance our indebtedness on terms that are acceptable to us or at all. If we are not able to refinance our indebtedness, we will have to dedicate a portion of our cash flow from operations to pay the principal and interest of this indebtedness. We cannot assure you that we will be able to generate cash flow in amounts that are sufficient for these purposes. If we are not able to satisfy these obligations, we may have to undertake alternative financing plans or sell our assets. The actual or perceived credit quality of our charterers, any defaults by them, and the market value of our fleet, among other things, may materially affect our ability to obtain alternative financing. In addition, debt service payments under our new credit facility or alternative financing may limit funds otherwise available for working capital, capital expenditures, payment of dividends and other purposes. If we are unable to meet our debt obligations, or if we otherwise default under our new credit facility or an alternative financing arrangement, our lender could declare the debt, together with accrued interest and fees, to be immediately due and payable and foreclose on our fleet, which could result in the acceleration of other indebtedness that we may have at such time and the commencement of similar foreclosure proceedings by other lenders.

If the delivery of any of our three vessels that have not yet been delivered to us is delayed or if any of the vessels is delivered with significant defects, our earnings and financial condition could suffer

We expect to take delivery of our remaining three vessels between June and August 2005. A delay in the delivery of any of these vessels to us or the failure of the contract counterparty to deliver any of these vessels could cause us to breach our obligations under a related time charter and could adversely affect our earnings, our financial condition and the amount of dividends that we pay in the future. In addition, the delivery of any of these vessels to us with substantial defects could have similar consequences.

Purchasing and operating secondhand vessels may result in increased operating costs and reduced fleet utilization

The 11 Handymax dry bulk vessels that we have purchased or agreed to purchase are all secondhand vessels. We also may purchase additional secondhand vessels in the future. While we have the right to inspect previously owned vessels prior to purchase, such an inspection does not provide us with the same knowledge about their condition that we would have if these vessels had been built for and operated exclusively by us. A secondhand vessel may have conditions or defects that we were not aware of when we bought the vessel and which may require us to incur costly repairs to the vessel. These repairs may require us to put a vessel into drydock, which would reduce our fleet utilization. Furthermore, we usually do not receive the benefit of warranties on secondhand vessels.

We depend upon a few significant customers for a large part of our revenues and the loss of one or more of these customers could adversely affect our financial performance

We derive a significant part of our revenues from a small number of charterers. The charterers' payments to us under their charters are our sole source of revenue. Some of our charterers are privately-owned companies for which limited credit and financial information was available to us in making our assessment of counterparty risk when we entered into our charter. If one or more of these charterers terminates its charter or chooses not to re-charter our vessel or is unable to perform under its charter with us and we are not able to find a replacement charter, we could suffer a loss of revenues that could adversely affect our financial condition, results of operations and cash available for distribution as dividends to our stockholders. In addition, we may be required to change the flagging or registration of the related vessel and may incur additional costs, including maintenance and crew costs if a charterer were to default on its obligations. Our stockholders do not have any recourse against our charterers.

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

Our vessels are employed in a highly competitive market that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than we do. Competition for the transportation of dry bulk cargo by sea is intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Due in part to the highly fragmented market, competitors with greater resources could enter the dry bulk shipping industry and operate larger fleets through consolidations or acquisitions and may be able to offer lower charter rates and higher quality vessels than we are able to offer.

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

Our success depends to a significant extent upon the abilities and efforts of our management team. We have entered into an employment contract with our Chairman and Chief Executive Officer, Sophocles Zoullas. Our success will depend upon our ability to retain key members of our management team and to hire new members as may be necessary. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining replacement personnel could have a similar effect. We do not intend to maintain "key man" life insurance on any of our officers.

Risks associated with operating ocean-going vessels could affect our business and reputation, which could adversely affect our revenues and stock price

The operation of ocean-going vessels carries inherent risks. These risks include the possibility of:

marine disaster;

environmental accidents;

cargo and property losses or damage;

business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions; and

piracy.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator.

The shipping industry has inherent operational risks that may not be adequately covered by our insurance

We procure insurance for our fleet against risks commonly insured against by vessel owners and operators, including hull and machinery insurance, war risks insurance and protection and indemnity insurance (which includes environmental damage and pollution insurance). We can give no assurance that we are adequately insured against all risks or that our insurers will pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement vessel in the event of a loss. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs or decrease our recovery in the event of a loss.

The aging of our fleet may result in increased operating costs in the future, which could adversely affect our earnings

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. Although the average age of the 11 Handymax dry bulk vessels that we have taken delivery of or agreed to purchase is six years as of June 2005, one of our vessels is 21 years old. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which our vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

We may have to pay tax on United States source income, which would reduce our earnings

Under the United States Internal Revenue Code of 1986, as amended, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and

end, in the United States is characterized as United States source shipping income and such income is subject to a 4% United States federal income tax without allowance for any deductions, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the Treasury regulations promulgated thereunder in August of 2003.

Our ability to qualify for this statutory tax exemption after the offering is dependent on certain circumstances related to the ownership of our common stock which are beyond our control and on interpretations of existing Treasury regulations and we can therefore give no assurance that we in fact will be eligible to qualify for exemption under Section 883 after the offering.

In addition, changes in the Code, the Treasury regulations or the interpretation thereof by the Internal Revenue Service or the courts could adversely affect our ability to take advantage of the exemption under Section 883.

If we are not entitled to this exemption under Section 883 for any taxable year, we would be subject for such taxable year to a 4% United States federal income tax on our United States-source shipping income. The imposition of this taxation could have a negative effect on our business and would result in decreased earnings available for distribution to our stockholders. Based on the current operation of our vessels, if we were subject to this tax, our United States federal income tax liability would be approximately \$200,000 per year. However, we can give no assurance that the operation of our vessels, which are under the control of third party charterers, will not change such that our United States federal income tax liability would be substantially higher.

United States tax authorities could treat us as a "passive foreign investment company", which could have adverse United States federal income tax consequences to United States holders

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for United States federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." United States stockholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute "passive income," and the assets that we own and operate in connection with the production of that income do not constitute passive assets.

There is, however, no direct legal authority under the PFIC rules addressing our proposed method of operation. Accordingly, no assurance can be given that the United States Internal Revenue Service, or IRS, or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our United States stockholders would face adverse United States tax consequences. Under the PFIC rules, unless those stockholders made an election available under the Code (which election could itself have adverse consequences for such stockholders, as discussed below under "Tax Considerations United States Federal Income Taxation of United States Holders"), such stockholders would be liable to pay United States federal income tax upon excess distributions and upon any gain from the disposition of our common stock at the then prevailing income tax rates applicable to ordinary income plus interest as if the excess distribution or gain had been recognized ratably over the stockholder's holding period of our common stock. Please see the section of this prospectus entitled "Tax Considerations United States Federal Income Taxation of United States Holders" for a more comprehensive discussion of the United States federal income tax consequences to United States stockholders if we are treated as a PFIC.

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

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. The loss of earnings while our vessels are being repaired and repositioned, as well as the actual cost of these repairs, would decrease our earnings and reduce the amount of cash that we have available for dividends. We may not have insurance that is sufficient to cover these costs or losses and may have to pay drydocking costs not covered by our insurance.

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

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to make dividend payments depends on our subsidiaries and their ability to distribute funds to us. If we are unable to obtain funds from our subsidiaries, our board of directors may exercise its discretion not to declare or pay dividends. We do not intend to obtain funds from other sources to pay dividends.

As we expand our business, we may need to improve our operating and financial systems and will need to recruit suitable employees and crew for our vessels

Our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet and our attempts to improve those systems may be ineffective. In addition, as we expand our fleet, we will need to recruit suitable additional seafarers and shoreside administrative and management personnel. We cannot guarantee that we will be able to hire suitable employees as we expand our fleet. If we or our crewing agent encounters business or financial difficulties, we may not be able to adequately staff our vessels. If we are unable to grow our financial and operating systems or to recruit suitable employees as we expand our fleet, our financial performance may be adversely affected and, among other things, the amount of cash available for distribution as dividends to our stockholders may be reduced.

Risks Relating to Our Common Stock

There is no guarantee that an active and liquid public market for you to resell our common stock will develop

Prior to this offering, there has not been a public market for our common stock. A liquid trading market for our common stock may not develop. The initial public offering price was determined in negotiations between the representatives of the underwriters and us and may not be indicative of prices

that will prevail in the trading market. The price of our common stock after this offering may be volatile and may fluctuate due to factors such as:

actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;

mergers and strategic alliances in the dry bulk shipping industry;

market conditions in the dry bulk shipping industry;

changes in government regulation;

shortfalls in our operating results from levels forecast by securities analysts;

announcements concerning us or our competitors; and

the general state of the securities market.

The dry bulk shipping industry has been highly unpredictable and volatile. The market for common stock in this industry may be equally volatile.

Our existing stockholder will have a significant amount of control over the outcome of matters on which our stockholders are entitled to vote following this offering

We expect that our existing stockholder, Eagle Ventures, which is controlled by affiliates of Kelso, will control approximately 47% of our outstanding common stock after this offering, assuming the underwriters do not exercise their over-allotment option. Eagle Ventures will have a significant amount of control over the outcome of all matters on which our stockholders are entitled to vote, including the election of directors and other significant corporate actions. The interests of Eagle Ventures and affiliates of Kelso may be different from your interests.

We are incorporated in the Marshall Islands, which does not have a well-developed body of corporate law

Our corporate affairs are governed by our amended and restated articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act, or the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the laws of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in the United States. The rights of stockholders of companies incorporated in the Marshall Islands may differ from the rights of stockholders of companies incorporated in the United States. While the BCA provides that it is to be interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the BCA in the Marshall Islands and we can not predict whether Marshall Islands courts would reach the same conclusions as United States courts. Thus, you may have more difficulty in protecting your interests in the face of actions by the management, directors or controlling stockholders than would stockholders of a corporation incorporated in a United States jurisdiction which has developed a relatively more substantial body of case law.

The shares of our common stock that you purchase in this offering will experience immediate and substantial dilution

The initial public offering price of our common stock will be substantially higher than the tangible book value per share of our outstanding common stock. Purchasers of our common stock in this offering will incur dilution of \$5.69 per share in the net tangible book value of their purchased shares.

The shares of our common stock owned by our existing stockholder will receive a material increase in the net tangible book value per share. You may experience additional dilution if we issue common stock in the future. As a result of this dilution, you may receive significantly less than the full purchase price you paid for the shares in the event of a liquidation.

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

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that these sales could occur, may depress the market price for our common stock. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

We intend to issue additional shares of our common stock in the future and our stockholders may elect to sell large numbers of shares held by them from time to time. Our amended and restated articles of incorporation authorize us to issue 100 million shares of common stock of which 27,150,000 shares will be outstanding (assuming that the underwriters do not exercise their over-allotment option), immediately after this offering. Immediately after this offering, assuming that the underwriters do not exercise their over-allotment option, Eagle Ventures, our existing stockholder, will own 12,750,000 shares, or approximately 47%, of our outstanding common stock. The number of shares of common stock available for sale in the public market will be limited by restrictions applicable under securities laws and agreements that we and our executive officers and directors, our existing stockholder and certain of our beneficial stockholders have entered into with the underwriters of this offering. Subject to certain exceptions, these agreements generally restrict us, our executive officers and directors, our existing stockholder and those beneficial stockholders from offering, selling, contracting to sell or otherwise disposing of our common stock or securities convertible into or exchangeable for our common stock for a period of 180 days after the date of this prospectus without the prior written consent of UBS Securities LLC, Bear, Stearns & Co. Inc. and Citigroup Global Markets Inc. However, if (a) during the period that begins on the date that is 15 calendar days plus 3 business days before the last day of the foregoing 180-day period and ends on the last day of the foregoing 180-day period, we issue an earnings release or material news or a material event relating to us occurs or (b) prior to the expiration of the foregoing 180-day period referred, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, these "lock-up" restrictions imposed will continue to apply until the expiration of the date that is 15 calendar days plus 3 business days after the date on which the issuance of the earnings release or the material news or material event occurs. UBS Securities LLC, Bear, Stearns & Co. Inc. and Citigroup Global Markets Inc. may, in their sole discretion and at any time or from time to time before the expiration of the lock-up period, without notice, release all or any portion of the securities subject to these agreements.

We have entered into a registration rights agreement with Eagle Ventures pursuant to which we granted it, and certain of its transferees, the right, under certain circumstances and subject to certain restrictions, including restrictions included in the lock-up agreements described above, to require us to register under the Securities Act of 1933, as amended, or the Securities Act, shares of our common stock held by Eagle Ventures. Under the registration rights agreement, Eagle Ventures has the right to request us to register the sale of shares held by it on its behalf and may require us to make available shelf registration statements permitting sales of shares into the market from time to time over an extended period. In addition, Eagle Ventures has the ability to exercise certain piggyback registration rights in connection with registered offerings initiated by us. Registration of such shares under the Securities Act would, except for shares purchased by affiliates, result in such shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of such registration. In addition, shares not registered pursuant to the registration rights agreement may, subject to the lock-up agreements described above, be resold pursuant to an exemption from the registration requirements of the Securities Act, including the exemptions provided by Rule 144 under

the Securities Act. We refer you to the sections of this prospectus entitled "Certain Relationships and Related Party Transactions Registration Rights Agreement", "Shares Eligible for Future Sale" and "Underwriting" for further information regarding the circumstances under which additional shares of our common stock may be sold.

Anti-takeover provisions in our organizational documents could make it difficult for our stockholders to replace or remove our current board of directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common stock

Several provisions of our amended and restated articles of incorporation and bylaws could make it difficult for our stockholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable.

These provisions will include:

authorizing our board of directors to issue "blank check" preferred stock without stockholder approval;

providing for a classified board of directors with staggered, three year terms;

authorizing vacancies on our board of directors to be filled only by a vote of the majority of directors then in office and specifically denying our stockholders the right to fill vacancies on the board;

establishing certain advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings;

prohibiting cumulative voting in the election of directors; and

limiting the persons who may call special meetings of stockholders.

From and after the time that Eagle Ventures no longer has beneficial ownership of 35% or more of our outstanding common stock, these provisions will also include:

authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote for the directors;

prohibiting stockholder action by written consent; and

establishing supermajority voting provisions with respect to amendments to certain provisions of our amended and restated articles of incorporation and bylaws.

These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

FORWARD-LOOKING STATEMENTS

This prospectus includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements." All statements in this document that are not statements of historical fact are forward-looking statements. These forward-looking statements may be identified by the use of predictive, future-tense or forward-looking terminology, such as "anticipate," "estimate," "intend," "project," "forecast," "plan," "potential," "will," "may," "should," "expect" or similar terms.

Forward-looking statements include, but are not limited to, such matters as:

our future operating or financial results;

expectations relating to dividend payments;

statements about pending or recent acquisitions, business strategy and expected capital spending or operating expenses;

statements about shipping industry trends, including charter hire rates and factors affecting supply and demand;

our ability to obtain additional financing;

expectations regarding the availability of vessel acquisitions; and

anticipating developments with respect to litigation.

Forward-looking statements are based upon assumptions, expectations, projections, intentions and beliefs as to future events that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecast in the forward-looking statements included herein. The reasons for this include the risks, uncertainties and factors described under the section of this prospectus entitled "Risk Factors."

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately \$185.7 million from this offering after deducting underwriting discounts and commissions and estimated expenses payable by us.

We intend to use \$183.5 million of the net proceeds to repay \$124.2 million of indebtedness outstanding under our existing credit facility and \$59.3 million of indebtedness owed to Eagle Ventures under a promissory note, including accrued interest. Our existing credit facility had an outstanding principal balance of \$186.0 million as of June 2, 2005, bears interest at a rate of 0.95% plus LIBOR and matures in April 2015. The Eagle Ventures promissory note that we expect to repay had an outstanding principal amount of approximately \$58.7 million as of June 2, 2005, bears interest at a rate of 7.0% per annum and matures in June 2011. This note was issued in connection with the extension of debt financing provided to us by Eagle Ventures used for vessel acquisitions and general corporate purposes. Please see the section of this prospectus entitled "Certain Relationships and Related Party Transactions Eagle Ventures Promissory Note" for additional information relating to the Eagle Ventures promissory note.

In addition, we intend to use \$2.2 million of the net proceeds of this offering to pay a \$1.2 million fee under our new credit facility and to pay a \$1 million one-time fee to Kelso to terminate certain of our obligations under a financial advisory agreement with Kelso.

If the over-allotment option is exercised, we will use the net proceeds to repay additional indebtedness under our new credit facility.

DIVIDEND POLICY

Our policy is to declare quarterly dividends to stockholders in February, April, July and October in amounts that are substantially equal to our available cash from operations during the previous quarter less any cash reserves for drydockings and working capital.

Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors. We intend to grow our business through timely and selective acquisitions of additional vessels in a manner that is accretive to earnings and dividends per share. We expect to fund our vessel acquisitions with borrowings under our new credit facility. In times when we make acquisitions, our board of directors may limit our dividends per share to the amount that we would have been able to pay if all or a portion of our acquisition related debt had been financed with equity such that (i) our available cash from operations, as determined by our board of directors, would be increased by the amount of interest expense incurred on account of the debt deemed to have been financed with equity during the related period, and (ii) the number of shares outstanding would be deemed to include an additional number of shares, which, if issued, would have generated net proceeds that would have been sufficient to have allowed us to repay the debt deemed to have been financed with equity as of the beginning of the related period (based on the market price of our common stock as of the determination date).

While we cannot assure you that we will do so, and subject to the limitations set forth in this section of the prospectus and in the section of this prospectus entitled "Risk Factors", we expect to declare a quarterly dividend of \$14.4 million, or \$0.53 per share, in October 2005 and a dividend of \$15.5 million, or \$0.57 per share, in February 2006, assuming, in the case of per share amounts, that the underwriters do not exercise their over-allotment option. However, we may incur expenses or liabilities, including unbudgeted or extraordinary expenses, or decreases in revenues, including as a result of unanticipated off-hire days or a loss of a vessel, that could reduce or eliminate the amount of cash that we have available for distribution as dividends.

We believe that, under current law, our dividend payments from earnings and profits will constitute "qualified dividend income" and as such non-corporate United States stockholders will generally be subject to a 15% United States federal income tax rate with respect to such dividend payments. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of a United States stockholder's tax basis in its common stock on a dollar-for-dollar basis and thereafter as capital gain. Please see the section of this prospectus entitled "Tax Considerations" for additional information relating to the tax treatment of our dividend payments.

The declaration and payment of dividends, if any, will always be subject to the discretion of our board of directors, restrictions contained in our new credit facility and the requirements of Marshall Islands law. The timing and amount of any dividends declared, if any, will depend on, among other things, our earnings, financial condition and cash requirements and availability, our ability to obtain debt and equity financing on acceptable terms as contemplated by our growth strategy, the terms of our outstanding indebtedness and the ability of our subsidiaries to distribute funds to us. Although our fleet is currently committed to time charters, the international dry bulk shipping industry is highly volatile, and we cannot predict with certainty the amount of cash, if any, that will be available for distribution as dividends in any period. Also, there may be a high degree of variability from period to period in the amount of cash that is available for the payment of dividends.

We may incur expenses or liabilities or be subject to other circumstances in the future that reduce or eliminate the amount of cash that we have available for distribution as dividends, including as a result of the risks described in this prospectus. Our growth strategy contemplates that we will finance our acquisitions of additional vessels through debt financings on terms acceptable to us. If financing is not available to us on acceptable terms, our board of directors may determine to finance or refinance

acquisitions with cash from operations, which would reduce or even eliminate the amount of cash available for the payment of dividends.

Under the terms of our new credit facility, we will not be permitted to pay dividends if there is a default or a breach of a loan covenant. In addition, we will not be permitted to pay dividends in amounts exceeding our EBITDA, less the aggregate amount of interest incurred and net amounts payable under interest rate hedging arrangements during the relevant period and an agreed upon reserve for drydockings. Please see the section of this prospectus entitled "New Credit Facility" for more information relating to restrictions on our ability to pay dividends under the terms of our new credit facility.

Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or while a company is insolvent or would be rendered insolvent by the payment of such a dividend. We may not have sufficient surplus in the future to pay dividends and our subsidiaries may not have sufficient funds or surplus to make distributions to us. We can give no assurance that dividends will be paid at all.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of March 31, 2005:

on an actual basis;

as adjusted to give effect to (i) our incurrence of \$186.0 million of long-term debt under our existing credit facility in April and May 2005, (ii) our incurrence of approximately \$58.7 million of long-term debt under a promissory note issued to Eagle Ventures in May 2005 and (iii) our payment of a \$5.2 million fee to Kelso and certain non-management affiliates of Eagle Ventures pursuant to a financial advisory agreement with Kelso. We expect to finance the \$97.4 million balance of the purchase price of the three additional vessels scheduled to be delivered from June to August 2005 with further borrowings under our new credit facility and cash on hand; and

as further adjusted to (i) give effect to our issuance and sale of 14,400,000 shares of common stock in this offering at the initial public offering price of \$14.00 per share, the application of the net proceeds therefrom to repay \$124.2 million of outstanding indebtedness under our existing credit facility, to repay \$59.3 million of indebtedness owed to Eagle Ventures under a promissory note, including accrued interest, to pay a \$1.2 million fee under our new credit facility and to pay a \$1 million one time fee to Kelso to terminate certain of our obligations under a financial advisory agreement with Kelso, and our repayment of \$1.8 million of outstanding indebtedness under our existing credit facility with cash on hand and (ii) our refinancing of the balance of the indebtedness outstanding under our existing credit facility with borrowings under our new credit facility.

You should read this table in conjunction with the combined financial statements and the related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Use of Proceeds" included elsewhere in this prospectus.

	As of March 31, 2005		
	Actual	As Adjusted	As Further Adjusted
Debt:			
Current portion of long-term debt	\$	\$	\$
Secured Bank debt, net of current portion		185,950,000	60,000,000
Unsecured Eagle Ventures Promissory Note		58,730,434	
Total debt		244,680,434	60,000,000
Stockholders' equity:			
Preferred stock \$.01 par value 25,000,000 authorized, none issued and outstanding			
Common stock, \$.01 par value 100,000,000 shares authorized; 12,750,000 shares issued and outstanding, actual; and 27,150,000 issued and outstanding, as adjusted and as further adjusted	127,500	127,500	271,500
Additional paid in capital	40,716,162	40,716,162	226,264,162
Subscription receivable	(21,384)	(21,384)	(21,384)
Deficit	(806,213)	(5,981,213)	(7,619,435)
Total stockholders' equity	40,016,065	34,841,065	218,894,843
Total capitalization	\$ 40,016,065	\$ 279,521,499	\$ 278,894,843

DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after this offering. Dilution results from the fact that the per share offering price of the common stock is in excess of the book value per share attributable to our existing stockholder for the presently outstanding common stock.

At March 31, 2005, we had net tangible book value of \$40.0 million, or \$3.14 per share. After giving effect to the sale of 14,400,000 shares of common stock at a price of \$14.00 per share, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value at March 31, 2005 would have been \$225.7 million or \$8.31 per share, assuming the underwriters do not exercise their over-allotment option. This represents an immediate appreciation in net tangible book value of \$5.17 per share to our existing stockholder and an immediate dilution of net tangible book value of \$5.69 per share to new investors. The following table illustrates the pro forma per share dilution and appreciation at March 31, 2005:

Initial public offering price per share	\$ 14.00
Net tangible book value per share as of March 31, 2005	\$ 3.14
Increase in net tangible book value per share attributable to new investors in this offering	\$ 5.17
Pro forma net tangible book value per share after giving effect to this offering	\$ 8.31
Dilution per share to new investors	\$ 5.69

Net tangible book value per share of our common stock is determined by dividing our tangible net worth, which consists of tangible assets less liabilities, by the number of shares of our common stock outstanding. Dilution is determined by subtracting the net tangible book value per share of common stock after this offering from the public offering price per share.

The following table summarizes, on a pro forma basis as at March 31, 2005, the differences between the number of shares of common stock acquired from us, the total amount paid and the average price per share paid by the existing holders of shares of common stock and by you in this offering.

	Pro Forma Shares Outstanding		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholder	12,750,000	47%	\$ 40,822,278	17%	\$ 3.20
New investors	14,400,000	53	201,600,000	83	\$ 14.00
Total	27,150,000	100%	\$ 242,422,278	100%	

SELECTED CONSOLIDATED FINANCIAL DATA

We were incorporated on March 23, 2005 and our predecessor, Eagle Holdings LLC, was formed on January 26, 2005. As of March 31, 2005, we had not taken delivery of any of our Handymax vessels and had only a limited history. The following table sets forth our selected consolidated financial data from our predecessor's inception on January 26, 2005 through March 31, 2005 and as of March 31, 2005, which has been derived from our audited consolidated financial statements. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein. In accordance with standard shipping industry practice, we did not obtain from the sellers' historical operating data for the vessels that we acquired, as that data was not material to our decision to purchase the vessels. Accordingly, we have not included any historical financial data relating to the results of operations of our vessels from the period before our acquisition of them. Please see the section of this prospectus entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations Lack of Historical Operating Data for Vessels Before their Acquisition."

For the period from January 26, 2005 to March 31,
2005

(in thousands except per share data)

Consolidated Statement of Operations Data	Actual		
Net loss	\$ 806		
Loss per share basic and diluted	(0.06)		
Pro forma loss per share basic and diluted (1)	(0.06)		
Consolidated Cash Flow Data			
Net cash used in operating activities	87		
Net cash used in investing activities	36,518		
Net cash from financing activities	\$40,792		
		As Adjusted (2)	As further Adjusted(3)
Consolidated Balance Sheet Data (As of Period End)			
Current assets	\$ 4,206	\$ 12,412	\$ 10,615
Total assets	40,905	280,410	279,784
Total liabilities	889	245,570	60,889
Long-term debt		244,680	60,000
Stockholders' equity	\$40,016	\$ 34,841	\$ 218,895

- (1) Pro forma loss per share gives effect to our assumed issuance of 478,682 shares at the initial public offering price of \$14.00 per share, which, if issued, would have generated net proceeds in an amount that would have been sufficient to fund our payment of a \$5.2 million fee to Kelso and certain non-management affiliates of Eagle Ventures pursuant to our financial advisory agreement with Kelso and a \$1 million fee to Kelso to terminate certain of our obligations under the financial advisory agreement.
- (2) As adjusted to give effect to (i) our purchase of our first eight Handymax dry bulk vessels in April and May 2005 (ii) our incurrence of approximately \$58.7 million of long-term debt under a promissory note issued to Eagle Ventures in May 2005, (iii) our incurrence of \$186.0 million of long-term debt under our existing credit facility in April and May 2005 and (iv) our payment of a \$5.2 million fee to Kelso and certain non-management affiliates of Eagle Ventures pursuant to our financial advisory agreement with Kelso. We used the proceeds from the debt financings described above to pay the balance of the purchase price for our first eight Handymax dry bulk vessels and to fund our initial working capital requirements.
- (3) As further adjusted to give effect to our issuance and sale of 14,400,000 shares of common stock in this offering at the initial public offering price of \$14.00 per share, the application of the proceeds therefrom to repay \$124.2 million of outstanding indebtedness under our existing credit facility and to repay \$59.3 million of indebtedness owed to Eagle Ventures under a promissory note, including accrued interest of \$0.6 million, and our repayment of \$1.8 million of outstanding indebtedness under our existing credit facility with cash on hand. In addition, we intend to use \$2.2 million of the net proceeds of this offering to pay a \$1.2 million fee under our new credit facility and to pay a \$1 million one-time fee to Kelso to terminate certain of our obligations under a financial advisory

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

agreement with Kelso. Total liabilities and total assets do not include amounts that we expect to borrow under our new credit facility to pay a portion of the \$97.4 million balance of the purchase price of the three additional vessels scheduled to be delivered between June and August 2005. We expect to finance the remaining portion of the balance of the purchase price with cash on hand.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following management's discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in the section entitled "Risk Factors" and elsewhere in this prospectus.

General

We are Eagle Bulk Shipping Inc., a newly-formed Marshall Islands corporation headquartered in New York City. We are the largest U.S. based owner of Handymax dry bulk vessels. Handymax dry bulk vessels range in size from 35,000 to 60,000 dwt and transport a broad range of major and minor bulk cargoes, including iron ore, coal, grain, cement and fertilizer, along worldwide shipping routes. We own a modern fleet of Handymax dry bulk vessels that we have purchased or agreed to purchase from unrelated third parties. We have taken delivery of eight vessels and expect delivery of the remaining three vessels between June and August 2005. Our 11 vessel fleet has a combined carrying capacity of 540,816 dwt and an average age of only six years as of June 2005, as compared to an average age for the world Handymax dry bulk fleet of over 15 years.

Our strategy is to charter our vessels primarily pursuant to one- to three-year time charters to allow us to take advantage of the stable cash flow and high utilization rates that are associated with medium- to long-term time charters. For the years 2005 and 2006, 100% and 76%, respectively, of our fleet's available days are committed on time charters, assuming that our charterers redeliver the vessels to us upon the earliest redelivery date under the charters.

Factors Affecting Our Results of Operations

We believe that the important measures for analyzing future trends in our results of operations consist of the following:

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

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

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

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

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

Voyage and Time Charter Revenue

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

the duration of our charters;

our decisions relating to vessel acquisitions and disposals;

the amount of time that we spend positioning our vessels;

the amount of time that our vessels spend in drydock undergoing repairs;

maintenance and upgrade work;

the age, condition and specifications of our vessels;

levels of supply and demand in the dry bulk shipping industry; and

other factors affecting spot market charter rates for dry bulk carriers.

Voyage Expenses

When we employ our vessels on voyage charters, we will incur expenses that include port and canal charges, bunker (fuel oil) expenses and commissions. Port and canal charges and bunker expenses primarily increase in periods during which vessels are employed on voyage charters because these expenses are for the account of the vessels. We expect that port and canal charges and bunker expenses will represent a relatively small portion of our vessels' overall expenses because the majority of our vessels are expected to be employed under time charters that require the charterer to bear all of those expenses.

Commissions

As is common in the shipping industry, we pay commissions ranging from 1.25% to 6.25% of the total daily charter hire rate of each charter to unaffiliated ship brokers and in-house brokers associated with the charterers, depending on the number of brokers involved with arranging the charter.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Our vessel operating expenses, which generally represent fixed costs, will increase with the enlargement of our fleet. Other factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market prices for insurance, may also cause these expenses to increase.

Depreciation

The cost of our vessels is depreciated on a straight-line basis over the expected useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated residual value. We estimate the useful life of our vessels to be 28 years from the date of initial delivery from the shipyard to the original owner. Furthermore, we estimate the residual values of our vessels to be \$150 per light-weight ton, which we believe is common in the dry bulk shipping industry. Our depreciation charges will increase as our fleet is enlarged which will also lead to an increase of ownership days.

Management Fees

We pay our technical manager, V.Ships, a fixed management fee of \$8,333 per month for each vessel in our operating fleet in respect of which it provides technical management services. Technical management services include managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging the hire of qualified officers and crew, arranging drydocking and repairs, purchasing stores, supplies, spare parts and new equipment, appointing supervisors and technical consultants and providing technical support.

General and Administrative Expenses

We incur general and administrative expenses, which include our onshore vessel related expenses such as legal and professional expenses and other general expenses. Our general and administrative expenses also include our payroll expenses, including those relating to our executive officers, and rent. We expect general and administrative expenses to increase as our fleet is enlarged. For the period ended March 31, 2005, general and administrative expenses consisted principally of legal fees (\$506,000), payroll (\$158,000) and financial advisory fees payable to Kelso (\$83,000).

Non-Cash Compensation Charges

In connection with our management's participation in profits interests in Eagle Ventures, it is expected that we will incur significant non-cash charges related to these profits interests incentives based on the fair value of the interests vested at the end of each reporting period. The profits interests entitle the holders thereof to the appreciation of the fair value of the assets of Eagle Ventures over the value of the members of Eagle Ventures initial investments in such assets.

Certain profits interests in Eagle Ventures granted to members of our management will vest on the consummation of this offering which are expected to result in a non-cash charge of approximately \$9 million. The non-cash charge is estimated based on the anticipated fair value of the vested profits interests at the initial public offering price of our common stock of \$14.00 per share.

The compensation charge for the service related profits interests will be recorded by us over the 4 year vesting period. Based on the initial offering price of \$14.00 per share of our common stock the aggregate charge for the service related profits interests will be approximately \$6 million and will be charged to expense at the rate of approximately \$1.5 million per year.

The compensation charges related to the profits interests will be based on estimates of the fair value of the interests and, in certain cases, estimated vesting periods. Changes in these estimates will likely result in significant increases or decreases in compensation charges from period to period.

We also intend to grant options to our employees in the future under our 2005 Stock Incentive Plan. The grant of options will also result in non-cash charges in our financial statements equal to the fair market value of the options at date of grant amortized over the expected life of the options.

Financial Advisory Fees

We will record an expense of \$5.2 million in the second quarter of 2005 in connection with an investment banking fee paid to Kelso and certain non-management affiliates of Eagle Ventures pursuant to a financial agreement that we entered into with Kelso. This investment banking fee was payable in connection with Kelso assisting us in our formation, strategic planning, obtaining debt and equity financing and acquiring vessels. In addition, we will record a charge of approximately \$1 million in connection with the termination of certain of our obligations under the financial advisory agreement including our obligation to pay an annual \$500,000 fee thereunder.

Interest and Finance Costs

While we intend to use the proceeds of this offering to repay the majority of our outstanding debt, we expect to incur interest expense and financing costs under our new credit facility in connection with debt incurred to finance future acquisitions.

Lack of Historical Operating Data for Vessels Before their Acquisition

Consistent with shipping industry practice, other than inspection of the physical condition of the vessels and examinations of classification society records, there is no historical financial due diligence process when we acquire vessels. Accordingly, we do not obtain the historical operating data for the vessels from the sellers because that information is not material to our decision to make acquisitions, nor do we believe it would be helpful to potential investors in our common shares in assessing our business or profitability. Most vessels are sold under a standardized agreement, which, among other things, provides the buyer with the right to inspect the vessel and the vessel's classification society records. The standard agreement does not give the buyer the right to inspect, or receive copies of, the historical operating data of the vessel. Prior to the delivery of a purchased vessel, the seller typically removes from the vessel all records, including past financial records and accounts related to the vessel. In addition, the technical management agreement between the seller's technical manager and the seller is automatically terminated and the vessel's trading certificates are revoked by its flag state following a change in ownership.

Consistent with shipping industry practice, we treat the acquisition of a vessel (whether acquired with or without charter) as the acquisition of an asset rather than a business. Although vessels are generally acquired free of charter, we have acquired (and may in the future acquire) some vessels with time charters. Where a vessel has been under a voyage charter, the vessel is delivered to the buyer free of charter, and it is rare in the shipping industry for the last charterer of the vessel in the hands of the seller to continue as the first charterer of the vessel in the hands of the buyer. In most cases, when a vessel is under time charter and the buyer wishes to assume that charter, the vessel cannot be acquired without the charterer's consent and the buyer's entering into a separate direct agreement with the charterer to assume the charter. The purchase of a vessel itself does not transfer the charter, because it is a separate service agreement between the vessel owner and the charterer.

We have entered into new charter contracts with our customers that commence upon delivery of the vessels to us. When we purchase a vessel and assume or renegotiate a related time charter, we must take the following steps before the vessel will be ready to commence operations:

obtain the charterer's consent to us as the new owner;

obtain the charterer's consent to a new technical manager;

obtain the charterer's consent to a new flag for the vessel;

arrange for a new crew for the vessel;

replace all hired equipment on board, such as gas cylinders and communication equipment;

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

negotiate and enter into new insurance contracts for the vessel through our own insurance brokers;

register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state;

implement a new planned maintenance program for the vessel; and

ensure that the new technical manager obtains new certificates for compliance with the safety and vessel security regulations of the flag state.

The following discussion is intended to help you understand how acquisitions of vessels affect our business and results of operations.

Our business is comprised of the following main elements:

employment and operation of our Handymax dry bulk vessels; and

management of the financial, general and administrative elements involved in the conduct of our business and ownership of our Handymax dry bulk vessels.

The employment and operation of our vessels require the following main components:

vessel maintenance and repair;

crew selection and training;

vessel spares and stores supply;

contingency response planning;

onboard safety procedures auditing;

accounting;

vessel insurance arrangement;

vessel chartering;

vessel hire management;

vessel surveying; and

vessel performance monitoring.

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

The management of financial, general and administrative elements involved in the conduct of our business and ownership of our vessels requires the following main components:

management of our financial resources, including banking relationships, *i.e.*, administration of bank loans and bank accounts;

management of our accounting system and records and financial reporting;

administration of the legal and regulatory requirements affecting our business and assets; and

management of the relationships with our service providers and customers.

The principal factors that affect our profitability, cash flows and shareholders' return on investment include:

rates and periods of charterhire;

levels of vessel operating expenses;

depreciation expenses; and

financing costs.

Principal Factors that Affect Our Business

The principal factors that affect our financial position, results of operations and cash flows include:

charter market rates, which have recently increased to historic highs, and periods of charterhire;

vessel operating expenses and voyage costs, which are incurred primarily in U.S. dollars;

depreciation expenses, which are a function of the cost of our vessels, significant vessel improvement costs and our vessels' estimated useful lives; and

financing costs related to our indebtedness, which is expected to be \$186.0 million immediately before the closing of this offering.

The amounts estimated below are not intended to constitute pro forma financial information within the meaning of regulations promulgated by the Securities and Exchange Commission, but in our view, have been determined on a reasonable basis, and reflect our best currently available estimates and judgements. These estimates do not represent actual results and should not be relied upon as being necessarily indicative of future results, and investors are cautioned not to place undue reliance on this information. This financial information was not prepared with a view toward compliance with published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information.

This forward-looking financial information has been prepared by us, and is our responsibility. Ernst & Young LLP has neither examined nor compiled the accompanying prospective financial information and, accordingly, Ernst & Young LLP does not express an opinion or any other form of assurance with respect to this forward-looking information. The Ernst & Young LLP report included in this prospectus relates to our historical financial information and does not extend to the forward-looking information presented below.

You should read the following discussion together with the information contained in the table of vessel information under "Business Our Fleet." The daily charter hire rates detailed in that table under "Daily Time Charter Hire Rate" are fixed rates and all detailed vessels are employed under time charters. Revenues from long-term charters are stable over the duration of the charter, provided there are no unexpected off-hire periods and no performance claims from the charterer or charterer defaults. We cannot guarantee that actual results will be as anticipated.

Our strategy is to employ vessels on time charters in order to generate stable cash flow over a period of time. The average remaining term under our existing time charters on the 11 vessels in our fleet is approximately two years with fixed charter hire rates. We will evaluate procuring loss of hire insurance for our fleet.

Our total daily revenue under existing charter agreements for our 11 vessel fleet is \$261,450 per day. We estimate that our vessels operate 358 days per year which is a level commonly used as an industry average for modern vessels. The seven days of non-operation per year are to provide for time spent in drydock and off-hire time. Should a vessel be operational for 350 days, instead of 358 days in any year, charter income for that vessel would decrease by 2.2%. An average 2.2% decrease for the vessels comprising our fleet would result in an annualized decrease of revenues by \$2.1 million to \$91.5 million.

Brokers' commissions generally range from 1.25% to 6.25% of the total daily charter hire rate. The effective commission rate on the current charters for our fleet of 11 vessels is approximately 5%.

With regard to vessel operating expenses, we have entered into management agreements for each of our vessels with V.Ships, our independent technical manager. In conjunction with our management, V. Ships has established an operating expense budget for each vessel. These are budgets only. Any actual amounts incurred in excess of the budgeted amounts are for our account.

The main factors that could increase vessel operating expenses are crew salaries, insurance premiums, which we arrange, spare parts orders, repairs that are not covered under insurance policies and lubricants. We estimate a cost of inflation increase in vessel operating expenses of 2% per annum. We cannot guarantee that increases in vessel operating expenses will be limited to this amount or to the hypothetical amount set forth below.

Vessel operating expenses consist principally of crewing, consumables, spare parts, repairs and maintenance, classification society surveys and insurance. Including budgeted items provided by V. Ships and insurance which we have arranged, we estimate daily operating expense for the fleet of \$38,500. A hypothetical 5% increase in operating expenses would result in an annualized increase in vessel operating costs of approximately \$0.7 million. Almost all of our expenses are in U.S. dollars.

V. Ships' management fees will be approximately \$3,014 per day for our fleet. A hypothetical 5% increase in those fees would result in an annualized increase in management fees of approximately \$0.1 million.

Liquidity and Capital Resources

We have funded our initial capital requirements with borrowings under our existing credit facility and capital contributions and borrowings from Eagle Ventures. As of the date of this prospectus, Eagle Ventures has provided us \$58.7 million of debt financing, in the form of a promissory note, and \$40.8 million of equity contributions, and we have borrowed \$186.0 million under our existing credit facility in connection with vessel acquisitions. We have paid Kelso a \$5 million fee and have paid \$175,000 to certain non-management affiliates of Eagle Ventures pursuant to our financial advisory agreement with Kelso.

We intend to use net proceeds from the offering and \$1.8 million of cash on hand to repay \$126.0 million of outstanding indebtedness under our existing credit facility, to repay \$59.3 million of outstanding indebtedness owed to Eagle Ventures under a promissory note, including accrued interest, to pay a fee of \$1.2 million to the lender under our new credit facility and to pay a \$1 million one-time fee to Kelso to terminate certain of our obligations under a financial advisory agreement with Kelso. In connection with this offering, we also expect to enter into a new credit facility with our lender and to refinance the remaining portion of our outstanding indebtedness with borrowings thereunder.

As of June 2, 2005, our cash balance was \$16.6 million. We may borrow up to \$10 million under our new credit facility for working capital purposes. We anticipate that following the completion of this offering, internally generated cash flow and, if necessary, borrowings under our new credit facility will be sufficient to fund the operations of our fleet, including our working capital requirements, for at least the next 12 months.

It is our intention to fund our future acquisition related capital requirements initially through borrowings under our new credit facility and to repay all or a portion of such borrowings from time to time with the net proceeds of equity issuances. We believe that funds will be available to support our growth strategy, which involves the acquisition of additional vessels, and will allow us to pay dividends to our stockholders as contemplated by our dividend policy. Depending on market conditions in the dry bulk shipping industry and acquisition opportunities that may arise, we may be required to obtain additional debt or equity financing which could affect our dividend policy.

New Credit Facility

We expect to enter into a new revolving credit facility with The Royal Bank of Scotland plc. The new credit facility may be used to refinance indebtedness outstanding under our existing credit facility, to fund vessel acquisitions and for working capital requirements.

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

The new credit facility has a facility limit of \$330 million and a term of ten years. We will be permitted to borrow up to \$150 million (i) to refinance up to \$60 million of the indebtedness that we incurred under our existing credit facility to pay the balance of the purchase for the eight vessels that we have already acquired and (ii) to pay up to the entire balance of the purchase price of the three remaining vessels that we expect to acquire between June and August 2005. We will be permitted to borrow up to \$180 million, which amount includes amounts borrowed for working capital purposes as described below, in connection with future acquisitions of dry bulk carriers between 25,000 dwt and 85,000 dwt that are not older than 10 years. We will also be permitted to borrow up to \$10 million at any one time for working capital purposes during an initial period of 18 months from the first draw down date, after which time our ability to borrow amounts for working capital purposes will be subject to review and reapproval on an annual basis.

Our ability to borrow amounts under the new credit facility will be subject to the execution of customary documentation relating to the facility, including security documents, satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. In connection with vessel acquisitions, amounts borrowed may not exceed 60% of the value of the vessels securing our obligations under the credit facility. Our ability to borrow such amounts, in each case, will be subject to our lender's approval of the vessel acquisition. Our lender's approval will be based on the lender's satisfaction of our ability to raise additional capital through equity issuances in amounts acceptable to our lender and the proposed employment of the vessel to be acquired.

Our obligations under the credit facility will be secured by a first priority mortgage on each of the vessels in our fleet and such other vessels that we may from time to time include with the approval of our lender, a first assignment of all freights, earnings, insurances and requisition compensation. Our new credit facility will also limit our ability to create liens on our assets in favor of other parties. We may grant additional security from time to time in the future.

The new credit facility will contain financial covenants requiring us, among other things, to ensure that:

the aggregate market value of the vessels in our fleet that secure our obligations under the new credit facility, as determined by an independent shipbroker on a charter-free basis, at all times exceeds 130% of the aggregate principal amount of debt outstanding under the new credit facility and the notional or actual cost of terminating any related hedging arrangements;

our total assets minus our debt will not be less than \$150 million;

our EBITDA will at all times be not less than 2x the aggregate amount of interest incurred and net amounts payable under interest rate hedging arrangements during the relevant period; and

we maintain with the lender \$500,000 of working capital per vessel in addition to an amount adequate to meet anticipated capital expenditures for the vessel over a 12 month period.

For the purposes of the new credit facility, our "total assets" will be defined to include our tangible fixed assets and our current assets, as set forth in our consolidated financial statements, except that the value of any vessels in our fleet that secure our obligations under the new credit facility will be measured by their fair market value rather than their carrying value on our consolidated balance sheet.

Our new credit facility permits us to pay dividends in amounts up to our EBITDA, less the aggregate amount of interest incurred and net amounts payable under interest rate hedging agreements during the relevant period and an agreed upon reserve for drydocking, provided that there is not a default or breach of loan covenant under the credit facility and the payment of the dividends would not result in a default or breach of a loan covenant.

Contractual Obligations

The following table sets forth our expected contractual obligations and their maturity dates as of March 31, 2005:

	<u>Within One Year</u>	<u>One to Three Years</u>	<u>Three to Five Years</u>	<u>More than Five years</u>	<u>Total</u>
	(in thousands)				
Vessel purchase agreements ⁽¹⁾⁽²⁾	\$ 328,663				\$ 328,663
Financial advisory fee to Kelso ⁽³⁾	500				500
Office lease ⁽⁴⁾	50				50
Total	\$ 329,213				\$ 329,213

(1) The total purchase price for our 11 Handymax vessels is \$365 million, of which we had paid 10%, or \$36.5 million, in the form of deposits as of March 31, 2005. Subsequent to March 31, 2005, we took delivery of eight of our Handymax vessels from the sellers and, in connection therewith paid the \$231 million balance of the purchase price that was due on those vessels.

(2) Subsequent to March 31, 2005, we incurred \$186.0 million of indebtedness under our existing credit facility and \$58.7 million of indebtedness under a promissory note that we issued to Eagle Ventures. We intend to repay \$124.2 million of the indebtedness incurred under our existing credit facility and \$59.3 million of indebtedness incurred under the promissory note, including accrued interest of \$0.6 million, with the net proceeds of this offering and to refinance amounts not repaid with borrowings under our new credit facility and cash on hand. We also intend to finance the \$97.4 million balance of the purchase price of our three undelivered vessels with the additional borrowings under our new credit facility and cash on hand. Our new credit facility is expected to have a term of ten years, with no principal amortization for the first five years.

(3) Under the terms of a financial advisory agreement with Kelso, we were required to pay Kelso an annual advisory fee of \$500,000. We have agreed with Kelso to terminate our obligations to pay the advisory fee and certain other fees pursuant to the agreement in exchange for a \$1 million payment upon the closing of this offering.

(4) We occupy office space on a month-to-month basis. We expect that the cost through the year ended December 31, 2005 to be less than \$50,000.

Capital Expenditures

We make capital expenditures from time to time in connection with our vessel acquisitions. Our recent vessel acquisitions consist of eight Handymax dry bulk vessels with a total contract price of \$257.0 million. We have also paid deposits of \$10.8 million on the purchase price for our three undelivered Handymax dry bulk vessels. We funded our acquisitions of our first eight vessels and our deposits on our remaining three vessels with a combination of equity contributions that we received from Eagle Ventures, borrowings under our existing credit facility and debt incurred under a promissory note that we issued to Eagle Ventures. We intend to repay \$124.2 million of the indebtedness incurred under our existing credit facility and \$59.3 million of indebtedness incurred under the promissory note, including accrued interest of \$0.6 million, with the net proceeds of this offering and to refinance amounts not repaid under our existing credit facility with borrowings under our new credit facility and cash on hand. Our current commitments for capital expenditures relate to our three undelivered Handymax dry bulk vessels, which have a total contract price of \$108.2 million. We are scheduled to take delivery of these vessels between June and August 2005 and intend to fund the \$97.4 million balance of the purchase price with additional indebtedness drawn under our new credit facility and cash on hand.

In addition to acquisitions that we may undertake in future periods, we will incur additional capital expenditures in 2006 when five of our eleven vessels undergo special surveys. We anticipate that this process of recertification will require us to reposition these vessels from a discharge port to shipyard facilities, which we believe will reduce our available days and operating days during the period. We believe that the funding of these requirements will be met with cash from operations.

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Qualitative and Quantitative Market Risk

Interest Rates

We are subject to market risks relating to changes in interest rates, because we have floating rate debt outstanding. We pay interest on debt incurred under our existing credit facility at a rate of LIBOR plus a margin of 0.95%. Under our new credit facility, we will pay interest on our debt at a rate of LIBOR plus a margin of 0.95%. A 1% increase in LIBOR on the \$186.0 million of indebtedness that we have incurred under our existing credit facility would increase our interest expense by \$1.9 million per annum. However, we intend to enter into interest rate swaps in the future to hedge our interest rate exposure with respect to our floating rate debt. Our use of interest rate swaps will involve certain risks, including the risk that losses on a hedged position could exceed the notional amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which would have an adverse effect on our results. We do not intend to enter into interest rate swaps for speculative purposes.

Currency and Exchange Rates

We generate all of our revenues in U.S. dollars. The majority of our operating expenses and the entirety of our management expenses are in U.S. dollars. We do not intend to use financial derivatives to mitigate the risk of exchange rate fluctuations.

Critical Accounting Policies

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

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

Depreciation

We record the value of our vessels at their cost less accumulated depreciation. We depreciate our dry bulk vessels on a straight-line basis over their estimated useful lives, estimated to be 28 years from date of initial delivery from the shipyard to the original owner. Depreciation is based on cost less the estimated residual scrap value. Furthermore, we estimate the residual values of our vessels to be \$150 per light-weight ton, which we believe is common in the dry bulk shipping industry. An increase in the

useful life of a dry bulk vessel or in its residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a dry bulk vessel or in its residual value would have the effect of increasing the annual depreciation charge. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, the vessel's useful life is adjusted to end at the date such regulations become effective.

Impairment of Long-lived Assets

We evaluate the carrying amounts and periods over which long-lived assets are depreciated to determine if events have occurred which would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, we review certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. We determine undiscounted projected net operating cash flow for each vessel and compare it to the vessel carrying value. In the event that an impairment were to occur, we would determine the fair value of the related asset and record a charge to operations calculated by comparing the asset's carrying value to the estimated fair value. We estimate fair value primarily through the use of third party valuations performed on an individual vessel basis.

Deferred Drydock Cost

We expect that our vessels will be required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are operating. We will capitalize the costs associated with drydockings as they occur and amortize these costs on a straight-line basis over the period between drydockings. Costs capitalized as part of the drydocking include actual costs incurred at the drydock yard; cost of fuel consumed between the vessel's last discharge port prior to the drydocking and the time the vessel leaves the drydock yard; cost of hiring riding crews to effect repairs on a vessel and parts used in making such repairs; cost of travel, lodging and subsistence of our personnel sent to the drydocking site to supervise; and the cost of hiring a third party to oversee the drydocking.

Vessel Acquisitions

Where we identify any intangible assets or liabilities associated with the acquisition of a vessel, we record all identified tangible and intangible assets or liabilities at fair value. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. We also consider other factors, such as any renewal options for charter contracts acquired to identify all intangible assets associated with the acquisition of a vessel.

THE INTERNATIONAL DRY BULK SHIPPING INDUSTRY

The information and data in this section relating to the international dry bulk shipping industry has been provided by Drewry Shipping Consultants, or Drewry, and is taken from Drewry databases and other sources available in the public domain. Drewry has advised us that it accurately describes the international dry bulk shipping industry, subject to the availability and reliability of the data supporting the statistical and graphical information presented. Drewry's methodologies for collecting information and data, and therefore the information discussed in this section, may differ from those of other sources, and does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the dry bulk shipping industry.

Bulk Carrier Industry Overview

The marine industry is a vital link in international trade, with ocean-going vessels representing the most efficient, and often the only method of transporting large volumes of basic commodities and finished products. In 2004, approximately 2.5 billion tons of dry bulk cargo was transported by sea, comprising more than one-third of all international seaborne trade.

Dry bulk cargo is cargo that is shipped in large quantities and can be easily stowed in a single hold with little risk of cargo damage. Dry bulk cargo is generally categorized as either major bulk or minor bulk. Major bulk cargo constitutes the vast majority of dry bulk cargo by weight, and includes, among other things, iron ore, coal and grain. Minor bulk cargo includes products such as agricultural products, mineral cargoes (including metal concentrates), cement, forest products and steel products and represents the balance of the dry bulk industry. Other dry cargo is categorized as container cargo, which is cargo shipped in 20 or 40-foot containers and includes a wide variety of finished products, and non-container cargo, which includes other dry cargoes that cannot be shipped in a container due to size, weight or handling requirements, such as large manufacturing equipment or large industrial vehicles.

The balance of seaborne trade involves the transport of liquids or gases in tanker vessels and includes products such as oil, refined oil products and chemicals. The breakdown of seaborne trade by main commodity type is indicated in the following table.

World Seaborne Trade in 2004

	Tons	% Total
	(Millions)	
All Cargo		
Dry Bulk	2,456	38.3%
Liquid (Oils/Gases/Chemicals)	2,520	39.8%
Container Cargo	896	14.1%
Non-Container/General Cargo	493	7.8%
	6,365	100.0%
Total		

Trade in Dry Bulk Commodities Only

	Tons	% Total
	(Millions)	
Coal	625	25.4%
Iron Ore	645	26.3%
Grain	228	9.3%
Minor Bulks	958	39.0%
	2,456	100.0%
Total		

Source: Drewry

Dry Bulk Seaborne Trade 2004

Source: Drewry

Dry Bulk Demand

The demand for dry bulk carrier capacity is determined by the underlying demand for commodities transported in dry bulk carriers, which in turn is influenced by trends in the global economy. Seaborne dry bulk trade increased by slightly more than 2% annually during the 1980s and 1990s. However, this rate of growth has increased dramatically in recent years. Between 1999 and 2004, trade in all dry bulk commodities increased from 1.97 billion tons to 2.46 billion tons, an increase of 25%.

Dry Bulk Trade Development

Source: Drewry

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

Dry bulk trade is influenced by the underlying demand for these commodities, which in turn is influenced by the level of economic activity. Generally, growth in GDP and industrial production correlate with peaks in demand for seaborne transportation. Certain economies will act from time to time as the "primary driver" of the dry bulk carrier market. In the 1990s Japan acted as the primary driver due to increased demand for seaborne trade and growth in Japanese industrial production. China has been the main driving force behind the recent increase in seaborne dry bulk trades and the demand for bulk carriers. In addition to coal and iron ore, Chinese imports of steel products have also increased sharply in the last five years, thereby creating additional demand for dry bulk carriers.

The following table illustrates China's gross domestic product growth rate compared to that of the U.S. during the periods indicated.

GDP Growth			
(% change)			
Years	China GDP Growth	U.S. GDP Growth	Global GDP Growth
	(%)	(%)	(%)
1981 1985	10.1	2.6	2.4
1986 1990	7.8	2.6	2.8
1991 1995	12.0	2.3	1.2
1996 2000	8.3	4.1	3.5
2001 2003	7.9	1.9	3.2
2004(e)	9.3	4.4	4.6

Source: Drewry

The extent to which increases in dry bulk trade have affected demand for dry bulk carriers is shown in estimates of ton-mile demand. Ton-mile demand is calculated by multiplying the volume of cargo moved on each route by the distance of the voyage.

Between 1999 and 2004 ton-mile demand in the dry bulk sector increased by 25% to 11.5 billion ton-miles. For some commodities there has been over the years a shift in demand due to changing trade routes. For example, the Brazil to China iron ore route started to be a significant trade some six to eight years ago. The increase in trade on this route has an increased effect on the demand for shipping due to the length of the haul. Conversely as Chinese demand has grown, there has been some shift in the sourcing of iron ore from Pacific regions (Australia). This has not yet reached significant proportions to affect the ton-mile demand.

Demand for dry bulk carrier capacity is also affected by the operating efficiency of the global fleet, with port congestion, which has been a feature of the market in 2004, absorbing additional tonnage. The following map represents the major global dry bulk trade routes:

Major Dry Bulk Seaborne Trade Routes

Source: Drewry

Dry bulk carriers can be the most versatile element of the global shipping fleets in terms of employment alternatives. Dry bulk carriers seldom operate on round trip voyages. Rather, the norm is port-to-port liner service and triangular or multi-leg voyages. Hence, trade distances assume greater importance in the demand equation.

Supply

The worldwide dry bulk carrier fleet subdivides into four vessel size categories, which are based on cargo carrying capacity.

Capesize vessels over 100,000 dwt. The Capesize sector is focused on long haul iron ore and coal trade routes. Due to the size of the vessels there are only a comparatively small number of ports around the world with the infrastructure to accommodate them.

Panamax vessels between 60,000 dwt and 80,000 dwt. Panamax vessels, defined as those with the maximum beam (width) of 32.2 metres permitted to transit the Panama Canal, carry coal, grain, and to a lesser extent, minor bulks, including steel products, forest products and fertilizers.

Handymax vessels between 35,000 dwt and 60,000 dwt. The Handymax sector operates in a large number of geographically dispersed global trades, mainly carrying grains and minor bulks including steel products, forest products, and fertilizers. Vessels less than 60,000 dwt are built with on-board cranes that enable them to load and discharge cargo in countries and ports with limited infrastructure.

Handysize vessels up to 35,000 dwt, which carry exclusively minor bulk cargoes. Historically, the Handysize dry bulk carrier sector was seen as the most versatile. Increasingly, however, this has become more of a regional trading, niche sector. The vessels are well suited for small ports with length and draft restrictions and also lacking infrastructure.

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

The supply of dry bulk carriers is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss.

Dry Bulk Carrier Fleet Development Deliveries v Scrappings

Source: Drewry

Dry Bulk Carrier Fleet and Orderbook Development

Source: Drewry

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

The following table illustrates the size and composition of the world dry bulk carrier fleet as of May 2005.

Dry Bulk Carrier Fleet May, 2005

Size (^{'000} dwt)	Current Fleet			Orderbook		
	No.	Dwt	% of Fleet	No.	Dwt	% of Fleet
		(Millions)			(Millions)	
10 30	1926	43.6	13.1%	63	1.4	3.2
30 60	2,242	94.7	28.5%	364	17.5	18.5
60 100	1,247	89.5	26.9%	288	22.9	25.6
100 150	161	22.4	6.7%	-	-	-
150+	464	82.3	24.7%	141	27.9	26.7
Total	6,040	332.6	100.0%	856	69.7	21.0%

Source: Drewry

Future supply in the bulk sector is dependent on delivery of new vessels from the orderbook and deletions of vessels from the existing fleet, either through scrapping or loss. The size of the bulk carrier orderbook fluctuates over time and in May 2005 amounted to 69.7 million dwt, which was equivalent to 21% of the existing fleet. Most of the ships on order will be delivered within the next two to three years.

Dry Bulk Carrier Orderbook May, 2005

Size (^{'000} dwt)	2005		2006		2007		2008+		Total		% of Fleet
	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	No.	Dwt	
10 30	20	469	27	600	15	315	1	29	63	1,413	3.2
30 60	101	4,759	134	6,427	90	4,383	39	1,927	304	17,496	18.5
60 100	68	5,244	101	8,080	90	7,188	29	2,374	288	22,886	25.6
100+	34	6,236	45	8,138	33	6,344	29	7,207	141	27,925	26.7
Total	223	16,708	307	23,245	228	18,230	98	11,537	856	69,720	21.0%

Source: Drewry

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

The number of ships removed from the fleet in any period is dependent upon prevailing market conditions, scrap prices in relation to current and prospective charter market conditions as well as the age profile of the existing fleet. Generally, as a vessel increases in age its operational efficiency declines due to rising maintenance requirements, to the point where it becomes unprofitable to keep the ship in operation.

The following table indicates the scrapping rates of dry bulk carriers for the period 1999 to 2004.

Dry Bulk Carrier Scrapping

	1999	2000	2001	2002	2003	2004
Capesize						
No. of Vessels	13.0	4.0	3.0	8.0	2.0	1.0
Dwt (in millions)	1.2	0.5	0.4	0.9	0.3	0.1
% of Fleet Scrapped	1.5	0.6	0.5	1.0	0.3	0.1
Panamax						
No. of Vessels	45.0	11.0	28.0	18.0	7.0	1.0
Dwt (in millions)	3.0	0.7	1.9	1.2	0.5	0.9
% of Fleet Scrapped	4.3	1.0	2.5	1.5	0.6	1.1
Handymax						
No. of Vessels	53.0	40.0	40.0	25.0	29.0	0.0
Dwt (in millions)	2.2	1.5	1.5	0.9	1.1	0.0
% of Fleet Scrapped	3.1	2.0	1.9	1.1	1.3	0.0
Handysize						
No. of Vessels	66.0	50.0	62.0	64.0	25.0	4.0
Dwt (in millions)	1.5	1.2	1.4	1.6	0.6	0.1
% of Fleet Scrapped	3.2	2.6	3.2	3.7	1.4	0.2
Total						
No. of Vessels	177.0	105.0	123.0	115.0	63.0	6.0
Dwt (in millions)	8.3	3.8	5.2	4.7	2.4	0.3
% of Fleet Scrapped	3.1	1.4	1.8	1.6	0.8	0.1

Source: Drewry

In the last five years the average age at demolition in the dry bulk sector has been 26 years. Even though there has been little variation in the age at which dry bulk vessels are scrapped, many well maintained vessels continue to trade to ages of over 30 years.

The supply of dry bulk carriers is not only a result of the number of ships in service, but also the operating efficiency of the worldwide fleet. For example, port congestion, which has been a feature of the market in 2004, has absorbed additional tonnage and therefore tightened the underlying supply /demand balance, with the result that charter hire rates have become less volatile.

Charter Rates

Charter hire rates fluctuate by varying degrees among dry bulk carrier size categories. The volume and pattern of trade in major bulks affect demand for larger vessels. Therefore, charter hire rates and vessel values of larger vessels often show greater volatility. Conversely, trade in minor bulks drives demand for smaller dry bulk carriers. Accordingly, charter hire rates and vessel values for those vessels are subject to less volatility.

Charter hire rates paid for dry bulk carriers are primarily a function of the underlying balance between vessel supply and demand, although at times other factors may play a role. Furthermore, the pattern seen in charter hire rates is broadly mirrored across the different charter types and between the different dry bulk carrier categories. However, because demand for larger dry bulk vessels is affected by the volume and pattern of trade in a relatively small number of commodities, charter hire rates (and vessel values) of larger ships tend to be more volatile than those for smaller vessels.

In the time charter market, rates vary depending on the length of the charter period and vessel specific factors such as age, speed and fuel consumption. Rates also vary depending on the length of the charter period as well as ship specific factors such as age, speed and fuel consumption. Short-term time charter rates are generally higher than long-term charter rates. The market benchmark tends to be a 12-month time charter rate, based on a modern vessel.

In the voyage charter market, rates are influenced by cargo size, commodity, port dues and canal transit fees, as well as delivery and redelivery regions. In general, a larger cargo size is quoted at a lower rate per ton than a smaller cargo size. Routes with costly ports or canals generally command higher rates than routes with low port dues and no canals to transit. Voyages with a load port within a region that includes ports where vessels usually discharge cargo or a discharge port within a region with ports where vessels load cargo also are generally quoted at lower rates, because such voyages generally increase vessel utilization by reducing the unloaded portion (or ballast leg) that is included in the calculation of the return charter to a loading area.

Within the dry bulk shipping industry, the charter hire rate references most likely to be monitored are the freight rate indices issued by the Baltic Exchange. These references are based on actual charter hire rates under charters entered into by market participants as well as daily assessments provided to the Baltic Exchange by a panel of major shipbrokers.

The following chart shows one-year time charter rates for Handymax, Panamax and Capesize dry bulk carriers between 1994 and February 2005.

**Time Charter Rates 12 month period, prompt delivery
(US\$ per day)**

Source: Drewry

Dry bulk charter hire rates for all sizes of vessels follow a similar pattern. In 2003 and 2004, rates for all sizes of dry bulk carriers strengthened appreciably to historically high levels. According to Drewry, the driver of this dramatic upsurge in charter rates was primarily the high level of demand for raw materials imported by China. Rates in 2005 started out at slightly lower levels, but remain relatively high compared to historic trends.

Baltic Freight Indices index points

Source: Baltic Exchange

Vessel Prices

Market conditions in each of the major sectors in the shipping industry—dry bulk carriers, tankers and containerships—have prospered over the past 18 months. This has helped trigger an upsurge in newbuilding activity across each of these fleet sectors. In addition, newbuilding demand is also strong for Liquefied Natural Gas (LNG) carriers and other specialized ship categories. Consequently, the near-term availability of newbuilding berths for vessel delivery before the end of 2007 is scarce, and after a period of stagnation, newbuilding prices for all vessel types have increased significantly, due to a combination of rising demand, shortage in berth space and rising raw material costs, especially the price of steel. The weakening of the U.S. dollar has also contributed to the recent surge in newbuilding prices, as yards protect themselves from incurring additional currency costs.

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

The trend in indicative newbuilding prices for bulk carriers is shown in the chart below.

Dry Bulk Carrier Newbuilding Prices (US\$ million)

Source: Drewry

The steep increase in newbuilding prices and the strength in the charter market have also affected vessel prices in the second-hand market.

Dry Bulk Carrier Secondhand Prices (US\$ million)

Source: Drewry

With vessel earnings running at high levels and a dearth of available newbuilding berths, demand for ships offering early delivery has been at a premium. In some instances, the market has witnessed second-hand prices for five-year-old dry bulk carriers reaching levels higher than those for comparably sized newbuildings.

BUSINESS

We are Eagle Bulk Shipping Inc., a newly-formed Marshall Islands corporation headquartered in New York City. We are the largest U.S. based owner of Handymax dry bulk vessels. Handymax dry bulk vessels range in size from 35,000 to 60,000 dwt and transport a broad range of major and minor bulk cargoes, including iron ore, coal, grain, cement and fertilizer, along worldwide shipping routes. We own a modern fleet of Handymax dry bulk vessels that we have purchased or agreed to purchase from unrelated third parties. We have taken delivery of eight vessels and expect delivery of the remaining three vessels between June and August 2005. Our 11 vessel fleet has a combined carrying capacity of 540,816 dwt and an average age of only six years as of June 2005, as compared to an average age for the world Handymax dry bulk fleet of over 15 years.

Our Competitive Strengths

We believe that we have a number of strengths that provide us with a competitive advantage in the dry bulk shipping industry, including:

A fleet of 11 Handymax dry bulk vessels. We are the largest U.S. based owner of Handymax dry bulk vessels. We view Handymax vessels as a highly attractive sector of the dry bulk shipping industry relative to larger vessel sectors due to their:

- reduced volatility in charter rates;
- smaller newbuilding orderbook;
- increased operating flexibility;
- ability to access more ports;
- ability to carry a more diverse range of cargoes; and
- broader customer base.

A modern, high quality fleet. Our 11 Handymax vessels have an average age of only six years as of June 2005, as compared to an average age for the world Handymax dry bulk fleet of over 15 years. We believe that owning a modern, high quality fleet reduces operating costs, improves safety and provides us with a competitive advantage in securing employment for our ships. Our fleet was built to high standards and 10 of our vessels were built at leading Japanese shipyards, including Mitsui which built six of our vessels, and Oshima which built four of our vessels.

A fleet of sister and similar ships. Our fleet includes a group of five identical sister ships built at the Mitsui shipyard based upon the same design specifications and three similar ships built at the Oshima shipyard that use many of the same parts and equipment. Operating sister and similar ships provides us with operational and scheduling flexibility, efficiencies in employee training and lower inventory and maintenance expenses. We believe that this should allow us both to increase revenue and lower operating costs.

A medium- to long-term fixed-rate time charter program. We have entered into time charters for all of our vessels. Our charters range in length from one to three years with an average of approximately two years and provide for fixed semi-monthly payments in advance. We believe that this structure provides significant visibility to our future financial results and allows us to take advantage of the stable cash flows and high utilization rates that are associated with medium- to long-term time charters.

An experienced management team. Our New York City based team of senior executives, including Sophocles Zoullas, has an average of 20 years of experience in the shipping industry, primarily in the Handymax and Handysize dry bulk sectors. The members of our management team have

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

developed strong industry relationships with leading charterers, shipbuilders, insurance underwriters, protection and indemnity associations and financial institutions.

A strong balance sheet with a low level of indebtedness. We intend to use a portion of the net proceeds from this offering to repay the majority of our outstanding indebtedness. We expect that the repayment of a majority of our outstanding indebtedness will strengthen our balance sheet and increase the amount of funds we may draw under our new credit facility in connection with future acquisitions.

Our Business Strategy

Our strategy is to manage and expand our fleet in a manner that enables us to pay attractive dividends to our stockholders. To accomplish this objective, we intend to:

Operate a modern, high quality fleet of Handymax dry bulk vessels. We believe that our ability to maintain and increase our customer base will depend largely on the quality of our fleet. We believe that owning a modern, high quality fleet reduces operating costs, improves safety and provides us with a competitive advantage in obtaining employment for our vessels. We will carry out regular inspections and maintenance of our fleet in order to maintain its high quality.

Pursue medium- to long-term charters with the flexibility to pursue short-term charters in the future. We have chartered our vessels pursuant to a combination of one- to three-year time charters with an average duration of approximately two years that provide stable cash flows. We will continue to strategically monitor developments in the dry bulk shipping market on a regular basis. Based on market conditions, we may consider taking advantage of short-term rates in the future.

Maintain low cost, highly efficient operations. We believe that we are a cost-efficient and reliable owner and operator of dry bulk vessels due to the young age of our vessels, our groups of sister and similar ships and the strength of our management team. We intend to actively monitor and control vessel operating expenses while maintaining the high quality of our fleet through regular inspection and maintenance programs. We also intend to take advantage of savings that result from the economies of scale that V.Ships provides us through access to bulk purchasing of supplies, quality crew members and a global service network of engineers, naval architects and port captains.

Expand our fleet through selective acquisitions of dry bulk vessels. We intend to grow our fleet through timely and selective acquisitions of additional vessels in a manner that is accretive to earnings and dividends per share. We expect to focus primarily in the Handymax sector of the dry bulk shipping industry. We may also consider acquisitions of other sizes of dry bulk vessels, including Handysize vessels, but do not intend to acquire tankers.

Maintain a strong balance sheet with low leverage. We intend to use a portion of the net proceeds from this offering to repay the majority of our outstanding indebtedness. In the future, we expect to draw funds under our new credit facility to fund vessel acquisitions. We intend to repay all or a portion of our acquisition related debt from time to time with the net proceeds of equity issuances. While our leverage will vary according to our acquisition strategy and our ability to refinance acquisition related debt through equity offerings on terms acceptable to us, we generally intend to limit the amount of indebtedness that we have outstanding at any time to low levels for our industry. We believe this strategy will provide us with flexibility in pursuing acquisitions that are accretive to earnings and dividends per share.

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

Our Fleet

The following table presents certain information concerning our fleet as of June 2005.

Vessel	Delivery Date	Dwt	Age	Time Charter Expiration Date (1)	Daily Time Charter Hire Rate
<i>Cardinal</i> (2)	April 18, 2005	55,362	1 year	March 2007 to June 2007	\$ 26,500
<i>Harrier</i> (3)	April 19, 2005	50,296	4 years	March 2007 to June 2007	\$ 23,750
<i>Falcon</i> (3)	April 21, 2005	50,296	4 years	February 2008 to June 2008	\$ 20,950
<i>Hawk I</i> (3)	April 26, 2005	50,296	4 years	March 2007 to June 2007	\$ 23,750
<i>Condor</i> (3)	April 29, 2005	50,296	4 years	November 2006 to March 2007	\$ 24,000
<i>Shikra</i>	April 29, 2005	41,096	21 years	July 2006 to November 2006	\$ 22,000
<i>Kite</i>	May 9, 2005	47,195	8 years	March 2006 to May 2006	\$ 25,000
<i>Griffon</i>	June 1, 2005	46,635	10 years	February 2006 to April 2006	\$ 28,000
<i>Peregrine</i> (2)(4)	Expected June/July 2005	50,913	4 years	October 2006 to January 2007	\$ 24,000
<i>Sparrow</i> (2)(4)	Expected July 2005	48,225	5 years	November 2006 to February 2007	\$ 22,500
<i>Osprey I</i> (3)(4)(5)	Expected August 2005	50,206	3 years	May 2008 to September 2008	\$ 21,000

- (1) The date range provided represents the earliest and latest date on which the charterer may redeliver the vessel to us upon the termination of the charter.
- (2) These vessels are similar ships built at the same shipyard.
- (3) These vessels are sister ships.
- (4) As expected to be renamed by us after delivery.
- (5) The charterer has an option to extend the charter period by up to 26 months at a daily time charter hire rate of \$25,000.

All of our vessels fly the Marshall Islands flag. We own or will own each of our vessels through a separate wholly owned Marshall Islands subsidiary.

Our strategy is to charter our vessels primarily pursuant to one- to three-year time charters to allow us to take advantage of the stable cash flow and high utilization rates that are associated with medium- to long-term time charters. For the years 2005 and 2006, 100% and 76%, respectively, of our fleet's available days are committed on time charters, assuming that our charterers redeliver the vessels to us upon the earliest redelivery date under the charters. We will regularly monitor the dry bulk

shipping market and based on market conditions we may consider taking advantage of short-term charter rates.

A time charter involves the hiring of a vessel from its owner for a period of time pursuant to a contract under which the vessel owner places its ship (including its crew and equipment) at the service of the charterer. Under a typical time charter, the charterer periodically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of fuel and port and canal charges. Subject to certain restrictions imposed by us in the contract, the charterer determines the type and quantity of cargo to be carried and the ports of loading and discharging. The technical operation and navigation of the vessel at all times remain our responsibility, including vessel operating expenses, such as the cost of crewing, insuring, repairing and maintaining the vessel, costs of spare parts and supplies, tonnage taxes and other miscellaneous expenses.

In connection with the charter of each of our vessels, we pay commissions ranging from 1.25% to 6.25% of the total daily charter hire rate of each charter to unaffiliated ship brokers and to in-house ship brokers associated with the charterers, depending on the number of brokers involved with arranging the relevant charter.

Our vessels operate worldwide within the trading limits imposed by our insurance terms and do not operate in areas where United States or United Nations sanctions have been imposed.

Our Customers

Our customers currently include national, regional and international companies such as Korea Line, Ltd., Daeyang Shipping Ltd., Armada Bulk Shipping Ltd., MUR Shipping Contracting (Metall und Rohstoff), Strategic Bulk Carriers and Fairfield Bulk Carriers. Our assessment of a charterer's financial condition and reliability is an important factor in negotiating employment for our vessels. We expect to charter our vessels to major trading houses (including commodities traders), publicly traded companies, reputable vessel owners and operators, major producers and government-owned entities rather than to more speculative or undercapitalized entities. We evaluate the counterparty risk of potential charterers based on our management's long experience in the shipping industry with the input of two independent credit risk consultants.

Management of Our Fleet

Our senior management team consists of four experienced shipping executives and is led by Sophocles Zoullas, a New York native with a background of 20 years in the Handymax and Handysize dry bulk sectors. Our New York City based management team undertakes all of the commercial and strategic management of our fleet and supervises the technical management of our fleet. We currently have a total of five shore-based personnel, including our senior management team.

Commercial and Strategic Management

We perform all of the commercial and strategic management of our fleet, including:

Obtaining employment for our vessels and maintaining our relationships with our charterers. We believe that because our management team has an average of 20 years experience in operating Handymax and Handysize dry bulk vessels, we have access to a broad range of charterers and can employ the fleet efficiently in any market and achieve high utilization rates.

Identifying, purchasing, and selling vessels. We believe that our commercial management team has longstanding relationships in the dry bulk industry, which provides us access to an extensive network of ship brokers and vessel owners that we believe will provide us with an advantage in future transactions.

Obtaining insurance coverage for our vessels. We feel that we have well-established relationships with reputable marine underwriters in all the major insurance markets around the world that helps insure our fleet with insurance at competitive rates. Additionally, our protection and indemnity insurance is directly placed with the underwriter, thereby eliminating broker expenses.

Supervising V.Ships, our third party technical manager. We regularly monitor the expenditures, crewing, and maintenance of our vessels by our technical manager. Our management team has direct experience with vessel operations, repairs, drydockings and construction.

Technical Management

The technical management of our fleet is provided our technical manager, V.Ships, an unaffiliated third party, that we believe is the world's largest provider of independent ship management and related services. We will review the performance of V.Ships on an annual basis and may add or change technical managers.

Technical management includes managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging our hire of qualified officers and crew, arranging and supervising drydocking and repairs, purchasing supplies, spare parts and new equipment for vessels, appointing supervisors and technical consultants and providing technical support. V.Ships also manages and processes all crew insurance claims. Our technical manager maintains records of all costs and expenditures incurred in connection with its services that are available for our review on a daily basis. Our technical manager is a member of Marine Contracting Association Limited (MARCAS), an association that arranges bulk purchasing for its members, which enables us to benefit from economies of scale.

We currently expect to crew our vessels with Ukrainian officers and seamen supplied by V.Ships in its capacity as technical manager. These officers and seamen are employees of our wholly owned vessel owning subsidiaries while aboard our vessels. We currently employ a total of 198 officers and seamen on the eight vessels that have been delivered. Our technical manager handles each seaman's training, travel and payroll and ensures that all our seamen have the qualifications and licenses required to comply with international regulations and shipping conventions. Additionally, our seafaring employees perform most commissioning work and assist in supervising work at shipyards and drydock facilities. We typically man our vessels with more crew members than are required by the country of the vessel's flag in order to allow for the performance of routine maintenance duties. All of our crew members are subject to and are paid commensurate with international collective bargaining agreements and, therefore, we do not anticipate any labor disruptions. No international collective bargaining agreements to which we are a party are set to expire within two years.

We pay our technical manager a fee of \$8,333 per vessel per month, plus actual costs incurred by our vessels.

Permits and Authorizations

We will be required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our vessels. The kinds of permits, licenses and certificates required depend upon several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of a vessel. We expect to be able to obtain all permits, licenses and certificates currently required to permit our vessels to operate. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of us doing business.

Environmental and Other Regulations

Government regulation significantly affects the ownership and operation of our vessels. We will be subject to international conventions, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered.

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (United States Coast Guard, harbor master or equivalent), classification societies, flag state administrations (country of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses and certificates for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend the operation of one or more of our vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the dry bulk shipping industry.

Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations applicable to us as of the date of this prospectus.

International Maritime Organization

The International Maritime Organization, or IMO, has negotiated international conventions that impose liability for oil pollution in international waters and a signatory's territorial waters. The IMO adopted Annex VI to the International Convention for the Prevention of Pollution from Ships to address air pollution from ships which became effective in May 2005. Annex VI set limits on sulfur oxide and nitrogen oxide emissions from ship exhausts and prohibit deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. We have been informed by our technical manager that each of our vessels that has been delivered to us is in compliance with Annex IV and we expect that each other vessel that we have agreed to purchase will be in compliance with Annex IV upon delivery to us.

The operation of our vessels is also affected by the requirements set forth in the IMO's Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM Code. The ISM Code requires ship owners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. As of the date of this prospectus, each vessel that has been delivered to us is ISM Code-certified and we expect that each other vessel that we have agreed to purchase will be ISM Code-certified when delivered to us.

The United States Oil Pollution Act of 1990

The United States Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

vessels operate in United States waters, which includes the United States' territorial sea and its two hundred nautical mile exclusive economic zone.

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

natural resources damage and the costs of assessment thereof;

real and personal property damage;

net loss of taxes, royalties, rents, fees and other lost revenues;

lost profits or impairment of earning capacity due to property or natural resources damage; and

net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA limits the liability of responsible parties to the greater of \$600 per gross ton or \$0.5 million per dry bulk vessel that is over 300 gross tons (subject to possible adjustment for inflation). These limits of liability do not apply if an incident was directly caused by violation of applicable United States federal safety, construction or operating regulations or by a responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

We expect to maintain pollution liability coverage insurance in the amount of \$1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage it could have an adverse effect on our business and results of operation.

OPA requires owners and operators of vessels to establish and maintain with the United States Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under the OPA. In December 1994, the United States Coast Guard implemented regulations requiring evidence of financial responsibility in the amount of \$1,500 per gross ton, which includes the OPA limitation on liability of \$1,200 per gross ton and the United States Comprehensive Environmental Response, Compensation, and Liability Act liability limit of \$300 per gross ton. Under the regulations, vessel owners and operators may evidence their financial responsibility by showing proof of insurance, surety bond, self-insurance or guaranty. Under OPA, an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessels in the fleet having the greatest maximum liability under OPA.

The United States Coast Guard's regulations concerning certificates of financial responsibility provide, in accordance with OPA, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility. In the event that such insurer or guarantor is sued directly, it is prohibited from asserting any contractual defense that it may have had against the responsible party and is limited to asserting those defenses available to the responsible party and the defense that the incident was caused by the willful misconduct of the responsible party. Certain organizations, which had typically provided certificates of financial responsibility under pre-OPA laws, including the major protection and indemnity organizations, have declined to furnish evidence of insurance for vessel owners and operators if they are subject to direct actions or required to waive insurance policy defenses.

The United States Coast Guard's financial responsibility regulations may also be satisfied by evidence of surety bond, guaranty or by self-insurance. Under the self-insurance provisions, the ship owner or operator must have a net worth and working capital, measured in assets located in the United

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility. We have complied with the United States Coast Guard regulations by providing a certificate of responsibility from third party entities that are acceptable to the United States Coast Guard evidencing sufficient self-insurance.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for oil spills. In some cases, states, which have enacted such legislation, have not yet issued implementing regulations defining vessels owners' responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.

Other Environmental Initiatives

The European Union is considering legislation that will affect the operation of vessels and the liability of owners for oil pollution. It is difficult to predict what legislation, if any, may be promulgated by the European Union or any other country or authority.

Although the United States is not a party thereto, many countries have ratified and follow the liability scheme adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended, or the CLC, and the Convention for the Establishment of an International Fund for Oil Pollution of 1971, as amended. Under these conventions, a vessel's registered owner is strictly liable for pollution damage caused on the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. Many of the countries that have ratified the CLC have increased the liability limits through a 1992 Protocol to the CLC. The liability limits in the countries that have ratified this Protocol are currently approximately \$4.0 million plus approximately \$566.0 per gross registered ton above 5,000 gross tons with an approximate maximum of \$80.5 million per vessel, with the exact amount tied to a unit of account which varies according to a basket of currencies. The right to limit liability is forfeited under the CLC where the spill is caused by the owner's actual fault or privity and, under the 1992 Protocol, where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to contracting states must provide evidence of insurance covering the limited liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002, or the MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the United States Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to the International Convention for the Safety of Life at Sea, or SOLAS, created a new chapter of the convention dealing specifically with maritime security. The new chapter came into effect in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created International Ship and Port Facilities Security Code or ISPS Code. Among the various requirements are:

on-board installation of automatic information systems, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications;

on-board installation of ship security alert systems;

the development of vessel security plans; and

compliance with flag state security certification requirements.

Edgar Filing: Eagle Bulk Shipping Inc. - Form 424B1

The United States Coast Guard regulations, intended to align with international maritime security standards, exempt non-United States vessels from MTSA vessel security measures provided such vessels have on board a valid International Ship Security Certificate, or ISSC, that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code.

Inspection by Classification Societies

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

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

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

Annual Surveys. For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant and where applicable for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate.

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

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

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years. Vessels under 5 years of age can waive drydocking in order to increase available days and decrease capital expenditures, provided that the vessel is inspected underwater.

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

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society which is a member of the International Association of Classification Societies, or IACS. All our vessels that we have purchased and may agree to purchase in the future must be certified as being "in class" prior to their delivery under our standard purchase contracts and memorandum of agreement. If the vessel is not certified on the date of closing, we have no obligation to take delivery of the vessel. We intend to have all of our vessels classed by IACS members.

Risk of Loss and Liability Insurance

General

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

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

Hull & Machinery and War Risks Insurance

We intend to maintain marine hull and machinery and war risks insurance, which covers the risk of actual or constructive total loss, for all of our vessels. Our vessels will each be covered up to at least fair market value with deductibles of \$75,000 per vessel per incident.

Protection & Indemnity Insurance

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

Our current protection and indemnity insurance coverage for pollution is \$1 billion per vessel per incident. The fourteen P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a P&I Association, which is a member of the International

Group, we are subject to calls payable to the associations based on the group's claim records as well as the claim records of all other members of the individual associations and members of the pool of P&I Associations comprising the International Group.

Competition

Our business will fluctuate in line with the main patterns of trade of dry bulk cargoes and varies according to changes in the supply and demand for these items. We operate in markets that are highly competitive and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation as an owner and operator. We compete with other owners of dry bulk vessels in the Handymax and Handysize class sectors. Ownership of dry bulk vessels is highly fragmented and is divided among approximately 1,400 independent dry bulk vessels owners.

Legal Proceedings

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

Properties

We do not own any real property. We lease office space at 29 Broadway, New York, New York 10006.

Exchange Controls

Under Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common stock.

NEW CREDIT FACILITY

In connection with this offering, we expect to enter into a new revolving credit facility with The Royal Bank of Scotland plc. The new credit facility may be used to refinance indebtedness outstanding under our existing credit facility, to fund vessel acquisitions and for working capital requirements.

The new credit facility has a facility limit of \$330 million and a term of ten years. We will be permitted to borrow up to \$150 million to (i) refinance up to \$60 million of the indebtedness that we incurred under our existing credit facility to pay the balance of the purchase for the eight vessels that we have already acquired and (ii) pay up to the entire balance of the purchase price of the three remaining vessels that we expect to acquire between June and August 2005. We will be permitted to borrow up to \$180 million, which amount includes amounts borrowed for working capital purposes as described below, in connection with future acquisitions of dry bulk carriers between 25,000 dwt and 85,000 dwt that are not older than 10 years. We will also be permitted to borrow up to \$10 million at any one time for working capital purposes during an initial period of 18 months from the first draw down date, after which time our ability to borrow amounts for working capital purposes will be subject to review and reapproval on an annual basis.

Subject to satisfaction of applicable conditions to draw down, we will be able to borrow up to the full facility limit for a period of five years from the facility closing date. Thereafter, amounts available under our new credit facility will be reduced over a further five year period by ten semi-annual installments of \$20.5 million with a final reduction of \$125 million occurring simultaneously with the last semi-annual reduction. We also may voluntarily reduce the undrawn portion of facility in multiples of \$5 million. We are obligated to make principal repayments consistent with such reductions.

Amounts drawn under our new credit facility bear interest at a rate of LIBOR plus a margin of 0.95%. We intend to enter into an interest rate swap in order to limit our exposure to interest rate movements.

Our ability to borrow amounts under the new credit facility will be subject to the execution of customary documentation relating to the facility, including security documents, satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. In connection with vessel acquisitions, amounts borrowed may not exceed 60% of the value of the vessels securing our obligations under the credit facility. Our ability to borrow such amounts, in each case, will be subject to our lender's approval of the vessel acquisition. Our lender's approval will be based on the lender's satisfaction of our ability to raise additional capital through equity issuances in amounts acceptable to our lender and the proposed employment of the vessel to be acquired.

Upon consummation of this offering, and giving effect to the application of a portion of the net proceeds therefrom and cash on hand to repay existing indebtedness, we expect to have \$60.0 million of outstanding debt. We expect to finance the \$97.4 million balance of the purchase price of the three additional vessels scheduled to be delivered from June to August, 2005 with further borrowings under our new credit facility and cash on hand.

Our obligations under the credit facility will be secured by a first priority mortgage on each of the vessels in our fleet and such other vessels that we may from time to time include with the approval of our lender, a first assignment of all freights, earnings, insurances and requisition compensation. Our new credit facility will also limit our ability to create liens on our assets in favor of other parties. We may grant additional security from time to time in the future.

We are required to pay a fee of \$1.2 million in connection with the arrangement of the credit facility, of which \$150,000 was paid upon our acceptance of the commitment letter and \$1,050,000 will be payable upon the closing of this offering. In addition, we will pay a commitment fee of 0.4% per