Eagle Bulk Shipping Inc.
Form 10-Q
May 10, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from to

Commission File Number 001–33831

EAGLE BULK SHIPPING INC.
(Exact name of Registrant as specified in its charter)

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

477 Madison Avenue
New York, New York 10022
(Address of principal executive offices)(Zip Code)

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

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

YES X NO

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

YES __ NO

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

Large accelerated Filer __ Accelerated Filer X Non-accelerated Filer __ Smaller reporting company

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

YES __ NO X

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

Common Stock, par value $0.01 per share, 62,560,436 shares outstanding as of May 10, 2011.

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EAGLE BULK SHIPPING INC.
CONSOLIDATED BALANCE SHEETS

		March 31, 2011 (unaudited)		December 31, 2010
ASSETS:				
Current assets:				
Cash and cash equivalents	$	97,715,331	$	129,121,680
Accounts receivable		17,564,874		14,366,495
Prepaid expenses		5,025,093		3,459,721
Inventories		5,342,449		3,190,052
Fair value above contract value of time charters acquired		587,872		594,611
Fair value of derivative instruments		295,329		—
Total current assets		126,530,948		150,732,559
Noncurrent assets:				
Vessels and vessel improvements, at cost, net of accumulated depreciation of $193,025,281 and $176,824,438, respectively		1,589,016,010		1,509,798,249
Advances for vessel construction		139,300,009		191,477,225
Other fixed assets, net of accumulated amortization of $189,005 and $153,375, respectively		442,484		420,204
Restricted cash		20,913,599		19,790,341
Deferred drydock costs		3,511,816		4,217,071
Deferred financing costs		15,326,031		16,458,496
Fair value above contract value of time charters acquired		3,465,724		3,608,812
Other assets and accounts receivable, net of allowance		2,260,259		70,001
Total noncurrent assets		1,774,235,932		1,745,840,399
Total assets	$	1,900,766,880	$	1,896,572,958
LIABILITIES & STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	9,019,248	$	6,089,273
Accrued interest		5,684,315		6,651,554
Other accrued liabilities		10,655,581		5,850,474
Deferred revenue and fair value below contract value of time charters acquired		6,217,558		5,705,326
Unearned charter hire revenue		9,386,335		6,091,332
Fair value of derivative instruments		—		127,758
Total current liabilities		40,963,037		30,515,717
Noncurrent liabilities:				
Long-term debt		1,151,354,476		1,151,354,476
Deferred revenue and fair value below contract value of time charters acquired		21,510,754		23,480,740
Fair value of derivative instruments		18,637,234		22,135,507
Total noncurrent liabilities		1,191,502,464		1,196,970,723
Total liabilities		1,232,465,501		1,227,486,440
Commitment and contingencies				
Stockholders' equity:				

Preferred stock, $.01 par value, 25,000,000 shares authorized, none issued		—		—
Common stock, $.01 par value, 100,000,000 shares authorized, 62,560,436 shares issued and outstanding		625,604		625,604
Additional paid-in capital		739,778,027		738,251,158
Retained earnings (net of dividends declared of $262,118,388 as of March 31, 2011 and December 31, 2010, respectively)		(53,465,018)		(47,654,737)
Accumulated other comprehensive loss		(18,637,234)		(22,135,507)
Total stockholders' equity		668,301,379		669,086,518
Total liabilities and stockholders' equity	$	1,900,766,880	$	1,896,572,958

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

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EAGLE BULK SHIPPING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31, 2011	March 31, 2010
Revenues, net of commissions	$86,692,775	$ 54,243,725
Voyage expenses	15,821,512	—
Vessel expenses	19,473,399	15,362,733
Charter hire expenses	15,924,682	—
Depreciation and amortization	17,158,844	13,706,370
General and administrative expenses	13,896,425	9,487,423
Total operating expenses	82,274,862	38,556,526
Operating income	4,417,913	15,687,199
Interest expense	11,336,479	11,176,987
Interest income	(57,670)	(63,422)
Other income	(1,050,615)	—
Total other expense, net	10,228,194	11,113,565
Net income (loss)	$(5,810,281)	$ 4,573,634
Weighted average shares outstanding :		
Basic	62,560,436	62,126,665
Diluted	62,560,436	62,282,017
Per share amounts:		
Basic net income	$(0.09)	$ 0.07
Diluted net income	$(0.09)	$ 0.07

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

EAGLE BULK SHIPPING INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2011

	Common Shares	Common Shares Amount	Additional Paid-In Capital	Net Loss	Accumulated Deficit	Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance at December 31, 2010	62,560,436	$625,604	$738,251,158		$(47,654,737)	$(22,135,507)	$669,086,518
Comprehensive income :							
Net loss	—	—	—	$(5,810,281)	(5,810,281)	—	(5,810,281)
Net unrealized gain on derivatives	—	—	—	—	—	3,498,273	3,498,273
Comprehensive loss	—	—	—	—	—	—	(2,312,008)
Shares withheld for employee tax	—	—	(1,210,177)	—	—	—	(1,210,177)
Non-cash compensation	—	—	2,737,046	—	—	—	2,737,046
Balance at March 31, 2011	62,560,436	$625,604	$739,778,027		$(53,465,018)	$(18,637,234)	$668,301,379

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

EAGLE BULK SHIPPING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31, 2011	March 31, 2010
Cash flows from operating activities:		
Net income (loss)	$(5,810,281)	$ 4,573,634
Adjustments to reconcile net income to net cash provided by operating activities:		
Items included in net income not affecting cash flows:		
Depreciation	16,236,473	13,039,338
Amortization of deferred drydocking costs	922,371	667,032
Amortization of deferred financing costs	993,727	584,717
Amortization of fair value below contract value of time charter acquired	(1,294,519)	(864,628)
Unrealized gain from forward freight agreements, net	(423,087)	—
Allowance for accounts receivable	6,586,900	—
Non-cash compensation expense	2,737,046	4,346,127
Drydocking expenditures	(217,116)	(682,308)
Changes in operating assets and liabilities:		
Accounts receivable	(11,346,879)	(1,398,846)
Other assets	(628,658)	—
Prepaid expenses	(1,565,372)	1,748,782
Inventories	(2,152,397)	—
Accounts payable	2,929,975	3,293,587
Accrued interest	(1,262,367)	2,051,673
Accrued expenses	4,805,107	2,612,823
Deferred revenue	(13,408)	(1,015,005)
Unearned charter hire revenue	3,295,003	1,963,570
Net cash provided by operating activities	13,792,518	30,920,496
Cash flows from investing activities:		
Vessels and vessel improvements and advances for vessel construction	(42,807,522)	(117,071,528)
Purchase of other fixed assets	(57,910)	(12,896)
Net cash used in investing activities	(42,865,432)	(117,084,424)
Cash flows from financing activities:		
Bank borrowings	—	101,972,546
Changes in restricted cash	(1,123,258)	(3,000,000)
Cash used to settle net share equity awards	(1,210,177)	—
Net cash (used) provided by financing activities	(2,333,435)	98,972,546
Net (decrease) increase in cash	(31,406,349)	12,808,618
Cash at beginning of period	129,121,680	71,344,773
Cash at end of period	$97,715,331	$ 84,153,391

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

EAGLE BULK SHIPPING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Basis of Presentation and General Information

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

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

As of March 31, 2011, the Company's operating fleet consisted of 40 vessels. The Company has an extensive vessel newbuilding program and as of March 31, 2011 had contracts for the construction of 6 vessels. The following tables present certain information concerning the Company's fleet as of March 31, 2011:

No. of Vessels	Dwt	Vessel Type	Delivery
Vessels in Operation			
40 Vessels	2,157,232	38 Supramax	
		2 Handymax	
Vessels to be delivered			
6 Vessels		58,000 dwt series	
	348,000	Supramax	2011

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

Charterer	% of Consolidated time charter revenue Three Months Ended March 31, 2011	2010
Charterer A	14.1%	22.0%
Charterer B	-	12.6%
Charterer C	-	13.9%
Charterer D	-	13.0%

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States, and the rules and regulations of the Securities and Exchange Commission ("SEC") which apply to interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes normally included in consolidated financial statements prepared in conformity with generally accepted accounting principles in the United States. They should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2010 Annual Report on Form 10-K.

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

Risks and Uncertainties

Legal Proceedings

On January 25, 2011, Korea Line Corporation ("KLC"), one of our charterers, filed for protective receivership in Seoul, South Korea. On February 15, 2011, the Korean courts approved this request. For the period February 15, 2011 through March 15, 2011, the Company took over the employment of the majority of the affected chartered vessels and re-chartered out all affected vessels on the spot and short term time charter markets. Earnings during this interim period were used to offset the charter hire otherwise due from KLC.

On March 15, 2011, the Company reached a comprehensive agreement with the receivers of KLC regarding twelve time-chartered vessels impacted by KLC's decision to file for protective receivership earlier this year. The main points of this agreement were:

Charter rates on ten vessels have been adjusted to $17,000 per vessel per day. Additionally, through December 31, 2015, the Company will receive all profits between $17,000 and $21,000 per vessel per day. During this period any additional profits above $21,000 per vessel per day are to be split equally between the Company and KLC.

After December 31, 2015, all profits above $17,000 per vessel per day are to be split equally until the conclusion of the charters which expire at the earliest on December 31, 2018.

For the next twelve months, the Company will charter these ten vessels and KLC will be responsible for any shortfall between the vessels' actual daily earnings and $17,000 per vessel per day. Any such shortfall shall be treated as a "claim for common benefit" under the Korean laws of corporate reorganization.

Time charter rates on two newbuildings have been adjusted to $17,000 per vessel per day with the same profit-sharing arrangement as above. However, the Company will charter these vessels from their delivery later this year until December 31, 2011, during which time KLC shall be responsible for any shortfall between the vessels' actual daily earnings and $17,000 per vessel per day, which shortfall shall be treated as a "claim for common benefit" under the Korean laws of corporate Rehabilitation.

The charter on one vessel was not impacted, subject to the continued performance of the vessel's subcharterer. The daily time charter rate on this vessel remains $18,300 until January 2014, after which the rate will be $18,000 per day plus 50% of any profits above this rate until the earliest completion of the charter in December 2018.

The Company filed a claim for all unpaid amounts in respect of the employment of the eleven vessels currently under charter to KLC for the period to March 15, 2011. The disposition of those claims for unpaid amounts due under those charters will be determined by the Korean courts at a future date.

We evaluated the KLC matter to make a determination as to the impact, if any, on our business, liquidity, results of operations, financial condition or cash flows and have recorded $6,586,900 as allowance for bad debt.

Long-Term Debt

As described in our Annual Reports on Form 10-K for the years ended December 31, 2009, and December 31, 2010, on August 4, 2009, we entered into a third amendatory agreement to our revolving credit facility. Among other things, the third amendatory agreement reduced the facility to $1.2 billion and changed the applicable interest rate to 2.5% over LIBOR. In addition, among other changes, the third amendatory agreement amended the facility's net worth covenant from a market value to book value measurement with respect to the value of our fleet and reduced the facility's EBITDA to interest coverage ratio, with these changes to stay in effect until we were in compliance with the facility's original covenants for two consecutive accounting periods.

Based on information which we provided in 2010 to the lenders under the revolving credit facility, the agent for the lenders has only recently notified us that according to its interpretation we were in compliance with the original covenants for the second and third quarters during 2010, and, therefore, our original collateral covenants have been reinstated.

We disagree with the interpretation of the original covenant calculation being used by the agent and have advised the agent that we were not in compliance with the original covenants for these two consecutive quarters, and, therefore, the amended collateral covenants should remain in place. Under the agent's interpretation of the covenant, we were in compliance both with the original collateral covenants and the amended collateral covenants during the accounting period ended December 31, 2010. However, while we have remained in compliance with the amended collateral covenants during the accounting period ended March 31, 2011, we would not be in compliance for that period under the agent's interpretation of the original collateral covenants.

Under the facility agreement, the effectiveness of the determination of compliance for an accounting period is as of the date that we supply a compliance certificate (the "Compliance Certificate Date") to the agent. The current Compliance Certificate Date for the accounting period ended March 31, 2011 is no later than May 30, 2011.

We believe that our interpretation of the facility agreement's covenant calculation is correct, that the reinstatement of the original loan covenant was not valid, and that we remain in compliance with all covenants in effect at March 31, 2011. We are in active discussions with the agent to resolve this technical matter. However, if the agent's interpretation is determined to be correct, we would not be in compliance with the original covenants for the period ending March 31, 2011, which could lead to a default under the facility agreement effective as of the Compliance Certificate Date for that period and would result in the classification as current of amounts due under the facility agreement and could lead to substantial doubt about our ability to continue as a going concern, if we are unable to agree on satisfactory terms or obtain a waiver from the agent. We continue to seek to reach a satisfactory agreement with the agent, but there can be no assurance that we will be successful in doing so.

Note 2. New Accounting Pronouncements

In October 2009, the Financial Accounting Standards Board (FASB) issued amended guidance for identifying separate deliverables in a revenue-generating transaction where multiple deliverables exist, and provides guidance for allocating and recognizing revenues based on those separate deliverables. This update also requires additional disclosure related to the significant assumptions used to determine the revenue recognition of the separate deliverables. This guidance is required to be applied prospectively to new or significantly modified revenue arrangements. The Company adopted this guidance effective January 1, 2011. The adoption of this accounting standards update did not have a material impact on the Company's consolidated results of operations, financial position or cash flows.

The FASB issued an accounting standards update modifying the disclosure requirements related to fair value measurements. Under these requirements, purchases and settlements for Level 3 fair value measurements are presented on a gross basis, rather than net. The Company adopted this guidance effective January 1, 2011.

Note 3. Vessels

a. Vessel and Vessel Improvements

At March 31, 2011, the Company's operating fleet consisted of 40 dry bulk vessels. In January and February 2011, the Company took delivery of the Thrush and Nighthawk, respectively.

Vessel and vessel improvements:

Vessels and Vessel Improvements, at December 31, 2010	$	1,509,798,249
Purchase of Vessel Improvements		63,170
Delivery of Newbuild Vessels		95,355,434
Depreciation Expense		(16,200,843)
Vessels and Vessel Improvements, at March 31, 2011	$	1,589,016,010

b. Advances for Vessel Construction

The Company took delivery of the Thrush and Nighthawk, in January and February 2011, respectively. In 2010 the Company took delivery of twelve newly constructed vessels, the last two Japanese-built vessels, the Golden Eagle and Imperial Eagle, in January and February 2010, respectively, and ten Chinese-built vessels the Thrasher, Crane and Egret, in January 2010, Avocet in February 2010, the Gannet Bulker, Grebe Bulker and Ibis Bulker in April, May and June, respectively, the Jay and Kingfisher in July and the Martin in August. In 2009 the Company took delivery of four newly constructed vessels. Two vessels from the Japanese shipyard, the Crested Eagle and Stellar Eagle, delivered in January and March 2009, respectively and two vessels from the Chinese shipyard, Bittern and Canary, delivered in October and December 2009, respectively. In 2008 the Company took delivery of three vessels, the Wren and Woodstar were delivered by the Chinese shipyard in June and October 2008, respectively, and the Crowned Eagle, the first of the Company's five Japanese built vessels, was delivered in November 2008.

As of March 31, 2011, the Company had 6 Supramax vessels under construction at the shipyard in China. The total contract cost of the construction project in China is approximately $219,300,000, of which the Company has advanced $93,457,500 in payments towards the construction of these vessels. These vessels are expected to be delivered in 2011. The Company will incur additional costs relating to the construction of these vessels, including capitalized interest, insurance, legal, and technical supervision costs.

Advances for Vessel Construction:

Advances for Vessel Construction, at December 31, 2010	$	191,477,225
Progress Payments		39,265,529
Capitalized Interest		1,195,764
Legal and Technical Supervision Costs		2,716,925
Delivery of Newbuild Vessels		(95,355,434)
Advances for Vessel Construction, at March 31, 2011	$	139,300,009

Note 4. Long-Term Debt

At March 31, 2011, the Company's debt consisted of $1,151,354,476 in net borrowings under the amended Revolving Credit Facility. These borrowings consisted of $1,046,662,222 for the 40 vessels currently in operation and $104,692,254 to fund the Company's newbuilding program.

On August 4, 2009, the Company entered into a Third Amendatory Agreement to its revolving credit facility dated October 19, 2007 which, among other things, reduces the amount of the credit facility to $1,200,000,000 with maturity in July 2014. The agreement also modifies the minimum security covenant, the minimum net worth covenant, and the minimum interest coverage ratio covenant, until such time as the Company can comply with the original covenants for two consecutive accounting periods. In the interim, the measurement of the three covenants at the end of each accounting period has been amended as follows: (a) The minimum security covenant has been suspended, (b) the minimum net worth covenant has been amended to a threshold minimum of $400 million plus an amount equal to fifty percent of any equity received by the Company, with the determination of net worth to utilize book value of vessel assets as stated in the financial statements rather than the market value, and (c) until reinstatement of the original minimum security and net worth covenants, for 24 months from July 1, 2009 to June 30, 2011, at each accounting period, the Company's cumulative EBITDA (EBITDA as defined in the credit agreement) will at all times be not less than 120% of the cumulative loan interest incurred on a trailing four quarter basis, and for each accounting period after June 30, 2011, the Company's cumulative EBITDA will at all times be not less than 130% of the cumulative loan interest incurred on a trailing four quarter basis. The amendment also requires that until the Company is in compliance with the original covenants (as mentioned below) for two consecutive accounting periods, the Company will use half the net proceeds from any equity issuance to reduce the facility, including $48,645,524 from the equity raised in 2009. These payments reduce the available amount of the credit facility to $1,151,354,476. As of March 31, 2011, the Company used its total availability for borrowings under the credit facility. The Company facility bears interest at LIBOR plus 2.50%. Undrawn portions of the facility bear a commitment fee of 0.7%. The facility is available in full until July 2012 when availability will begin to decline in four semi-annual reductions of $53,969,741 with a full repayment at maturity.

On August 4, 2010, the Company entered into a Fourth Amendatory Agreement to its revolving credit facility dated October 19, 2007, by and between the Company and The Royal Bank of Scotland plc, as mandated lead arranger, bookrunner, swap bank, agent and security trustee and certain other lenders (collectively the "Lenders"), pursuant to which the Lenders consented, among other things, to the Company conducting the Trading Operation.

Our obligations under the amended revolving credit facility are 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, and by a first assignment of all freights, earnings, insurances and requisition compensation relating to our vessels. The facility also limits our ability to create liens on our assets in favor of other parties.

Under the terms of the third amendment of the revolving credit facility, among other things, we will maintain with the lender an amount not less than the greater of $500,000 per delivered vessel or an amount equal to any reductions in the total commitments scheduled to be effected within the next six months less the amount of the then unutilized facility. As of March 31, 2011, the Company has recorded $20,000,000 as Restricted cash in the accompanying balance sheets.

On December 17, 2008, the Company entered into a second Amendatory Agreement to its $1,600,000,000 revolving credit facility which, among other things, amended the amount of the credit facility to $1,350,000,000. The agreement amends the minimum security value of the credit facility to include the aggregate market value of the vessels in the Company's operating fleet and the deposits on its newbuilding contracts. The agreement amends the minimum security value clause of the credit facility from 130% to 100% of the aggregate principal amount of debt outstanding under the credit facility. The agreement also provides that future dividend payments will be based on maintaining a minimum security value of 130%. The agreement reduces the minimum net worth clause of the credit facility from $300,000,000 to $75,000,000 for 2009, subject to annual review thereafter. The agreement also amends the interest margin to 1.75% over LIBOR.

For the three months ended March 31, 2011, interest rates on the outstanding debt ranged from 2.71% to 7.73%, including a margin of 2.50% over LIBOR applicable under the terms of the amended revolving credit facility. The weighted average effective interest rate was 4.03%. Interest costs on borrowings used to fund the Company's newbuilding program are capitalized until the vessels are delivered.

Interest Expense, exclusive of capitalized interest, consists of:

	Three Months Ended	
	March 31, 2011	March 31, 2010
Loan Interest	$10,342,752	$ 10,592,270
Amortization of Deferred Financing Costs	993,727	584,717
Total Interest Expense	$11,336,479	$ 11,176,987

Interest paid, exclusive of capitalized interest, in the three-month periods ended March 31, 2011 and 2010 amounted to $10,997,881 and $8,540,127, respectively.

We are in disagreement with the interpretation of the original covenant calculation being used by the agent of our lender. See Note 1 above.

Note 5. Derivative Instruments and Fair Value Measurements

Interest-Rate Swaps

The Company has entered into interest rate swaps to effectively convert a portion of its debt from a floating to a fixed-rate basis. Under these swap contracts, exclusive of applicable margins, the Company will pay fixed rate interest and receive floating-rate interest amounts based on three-month LIBOR settings. The swaps are designated and qualify as cash flow hedges. The following table summarizes the interest rate swaps in place as of March 31, 2011 and December 31, 2010.

Notional Amount Outstanding – March 31, 2011	Notional Amount Outstanding – December 31, 2010	Fixed Rate	Maturity
$144,700,000	$144,700,000	3.580%	10/2011
9,162,500	9,162,500	3.515%	10/2011
3,405,174	3,405,174	3.550%	10/2011
17,050,000	17,050,000	3.160%	11/2011
25,048,118	25,048,118	4.740%	12/2011
36,752,038	36,752,038	5.225%	08/2012
81,500,000	81,500,000	3.895%	01/2013
84,800,000	84,800,000	3.900%	09/2013
$402,417,830	$402,417,830		

The Company records the fair value of the interest rate swaps as an asset or liability on its balance sheet. The effective portion of the swap is recorded in accumulated other comprehensive income. Accordingly, liabilities of $18,637,234 and $22,135,507 have been recorded in Fair value of derivative instruments in the Company's balance sheets as of March 31, 2011 and December 31, 2010.

Forward freight agreements (FFAs), bunker swaps and freight derivatives

The Company trades in the FFAs, bunker swaps and freight derivatives markets, with the objective of utilizing these markets as economic hedging instruments that reduce the risk of specific vessels to changes in the freight market and or bunker costs. The Company's FFAs, bunker swaps and freight derivatives have not qualified for hedge accounting treatment. As of March 31, 2011, net amount of $295,329 have been recorded in Fair value of derivative instruments as current assets in the accompanying balance sheet.

No portion of the cash flow hedges shown below was ineffective during the year. The effect of cash flow hedging relationships on the balance sheet as of March 31, 2011 and the statement of operations for the year ended March 31, 2011 are as follows:

The effect of designated derivative instruments on the consolidated balance sheets:

	Amount of Loss Recognized in OCI on Derivative (Effective Portion)	
Derivatives designated for cash flow hedging relationships	March 31, 2011	December 31, 2010