

Baltic Trading Ltd
Form 10-K
March 03, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2013

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 001-34648

BALTIC TRADING LIMITED
(Exact name of registrant as specified in its charter)

Republic of the Marshall Islands 98-0637837
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

299 Park Avenue, 12th Floor, New York, New York 10171
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (646) 443-8550

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicated by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

The aggregate market value of the registrant's voting common equity held by non-affiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter, computed by reference to the last sale price of such stock of \$3.71 per share as of June 30, 2013 on the New York Stock Exchange, was approximately \$84.3 million. The registrant has no non-voting common equity issued and outstanding. The determination of affiliate status for purposes of this paragraph is not necessarily a conclusive determination for any other purpose.

The number of shares outstanding of the registrant's classes of common stock, as of March 3, 2014: common stock, \$0.01 per share — 51,168,896 shares and Class B stock, \$0.01 per share — 6,356,471 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Proxy Statement for the 2014 Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2013, are incorporated by reference in Part III herein.

PART I

ITEM 1. BUSINESS

OVERVIEW

We are a New York City-based company incorporated in October 2009 in the Marshall Islands to conduct a shipping business focused on the drybulk industry spot market. We were formed by Genco Shipping & Trading Limited (NYSE: GNK) (“Genco”), an international drybulk shipping company that also serves as our Manager. Our fleet currently consists of four Capesize vessels, four Supramax vessels and five Handysize vessels with an aggregate carrying capacity of approximately 1,095,000 deadweight tons (“dwt”). The average age of our current fleet is approximately 3.9 years, as compared to the average age for the world fleet of approximately 9 years for the drybulk shipping segments in which we compete. After the expected delivery of four Ultramax newbuildings that we have agreed to acquire, we will own a fleet of 17 drybulk vessels, consisting of four Capesize, four Ultramax, four Supramax and five Handysize vessels with a total carrying capacity of approximately 1,351,000 dwt. Our fleet contains five groups of sister ships, which are vessels of virtually identical sizes and specifications. We believe that maintaining a fleet that includes sister ships reduces costs by creating economies of scale in the maintenance, supply and crewing of our vessels.

On July 2, 2013, we entered into agreements to purchase two Handysize drybulk vessels from subsidiaries of Clipper Group for an aggregate purchase price of \$41 million. The Baltic Hare, a 2009-built Handysize vessel, was delivered on September 5, 2013 and the Baltic Fox, a 2010-built Handysize vessel, was delivered on September 6, 2013. We funded a portion of the purchase price of the vessels using proceeds from our registered follow-on common stock offering completed on May 28, 2013. For the remainder of the purchase price, we drew down \$22 million under our secured loan agreement with DVB Bank SE (the “\$22 Million Term Loan Facility”). Refer to Note 7 – Debt in our consolidated financial statements for further information regarding this credit facility.

On October 31, 2013, we entered into agreements to purchase two Capesize drybulk vessels from affiliates of SK Shipping Co. Ltd. for an aggregate purchase price of \$103 million. The Baltic Lion, a 2012-built Capesize drybulk vessel, was delivered on December 27, 2013, and the Baltic Tiger, a 2011-built Capesize vessel, was delivered on November 26, 2013. We funded a portion of the purchase price of the vessels using proceeds from our registered follow-on common stock offering completed on September 25, 2013. For the remainder of the purchase price, we drew down \$44 million under our secured loan agreement with DVB Bank SE (the “\$44 Million Term Loan Facility”). Refer to Note 7 – Debt in our consolidated financial statements for further information regarding this credit facility.

On November 13, 2013, we entered into agreements to purchase up to four 64,000 dwt Ultramax newbuilding drybulk vessels from Yangfan Group Co., Ltd. for a purchase price of \$28 million per vessel, or up to \$112 million in the aggregate. We agreed to purchase two such vessels, to be renamed the Baltic Hornet and Baltic Wasp, and obtained an option to purchase up to two additional such vessels for the same purchase price, which we exercised on January 8, 2014. These vessels are to be renamed the Baltic Mantis and the Baltic Scorpion. The purchases are subject to completion of customary additional documentation and closing conditions. The Baltic Hornet and Baltic Wasp are expected to be delivered to us during the third and fourth quarters of 2014, respectively. The Baltic Scorpion and the Baltic Mantis are expected to be delivered to us during the second and third quarters of 2015, respectively. We intend to use a combination of cash on hand and future cash flow from operations as well as commercial bank debt to fully finance the acquisition of these four Ultramax newbuilding drybulk vessels.

We seek to leverage the expertise of Genco and its management to pursue growth opportunities in the drybulk shipping spot market. To pursue these opportunities, we operate a fleet of drybulk ships that transports iron ore, coal, grain, steel products and other drybulk cargoes along worldwide shipping routes. We currently operate all of our vessels on spot market-related time charters, short-term time charters or in vessel pools trading in the spot market. We may also consider operating vessels in the spot market directly based on our view of market conditions. We have

financed our fleet primarily with equity capital and with our revolving credit facility (the “2010 Credit Facility”), the \$22 Million Term Loan Facility and the \$44 Million Term Loan Facility. Depending on market conditions, we aim to grow our fleet through timely and selective acquisitions of vessels. We expect to fund acquisitions of additional vessels using equity and debt financing. We intend to distribute to our shareholders on a quarterly basis all of our net income less cash expenditures for capital items related to our fleet, other than vessel acquisitions and related expenses, plus non-cash compensation, during the previous quarter, subject to any additional reserves our Board of Directors may from time to time determine are required for the prudent conduct of our business. We have declared dividends for the past three years even though the application of the formula in our policy would not have resulted in a dividend, although we may not continue to do so. Please see below under “Dividend Policy.”

Refer to page 5 for a table of all vessels that have been or are expected to be delivered to us.

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Our operations are managed, under the supervision of our Board of Directors, by Genco as our Manager. In 2010, we entered into a long-term management agreement (the “Management Agreement”) pursuant to which our Manager and its affiliates apply their expertise and experience in the drybulk industry to provide us with commercial, technical, administrative and strategic services. The Management Agreement is for an initial term of approximately fifteen years and will automatically renew for additional five-year periods unless terminated in accordance with its terms. We pay our Manager fees for the services it provides us as well as reimburse our Manager for its costs and expenses incurred in providing certain of these services.

On May 28, 2013, we closed an equity offering of 6,419,217 shares of common stock at an offering price of \$3.60 per share. We received net proceeds of approximately \$21.6 million, after deducting underwriters’ fees and expenses. Additionally, on September 25, 2013, we closed an equity offering of 13,800,000 shares of common stock at an offering price of \$4.60 per share. We received net proceeds of approximately \$59.5 million after deducting underwriters’ fees and expenses. Also, on November 18, 2013, we closed an equity offering of 12,650,000 shares of common stock at an offering price of \$4.60 per share. We received net proceeds of approximately \$55.1 million after deducting underwriters’ fees and expenses. Pursuant to the Management Agreement, for so long as Genco directly or indirectly holds at least 10% of the aggregate number of outstanding shares of our common stock and Class B stock, Genco will be entitled to receive at no cost an additional number of shares of Class B stock equal to 2% of the number of common shares issued, other than shares issued under the our 2010 Equity Incentive Plan. As a result of the equity offerings on May 28, 2013, September 25, 2013 and November 18, 2013, Genco was issued 128,383, 276,000 and 253,000 shares, respectively, of Class B stock, which represents 2% of the number of common shares issued.

AVAILABLE INFORMATION

We file annual, quarterly and current reports, proxy statements, and other documents with the SEC, under the Securities Exchange Act of 1934 (the “Exchange Act”). The public may read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC. The public can obtain any documents that we file with the SEC at www.sec.gov.

In addition, our company website can be found on the Internet at www.baltictrading.com. The website contains information about us and our operations. Copies of each of our filings with the SEC on Form 10-Q and Form 8-K, and all amendments to those reports, can be viewed and downloaded free of charge after the reports and amendments are electronically filed with or furnished to the SEC. To view the reports, access www.baltictrading.com, click on Investor Relations, then SEC Filings. No information on our company website is incorporated by reference into this annual report on Form 10-K.

Any of the above documents can also be obtained in print by any shareholder upon request to our Investor Relations Department at the following address:

Corporate Investor Relations
Baltic Trading Limited
299 Park Avenue, 12th Floor
New York, NY 10171

BUSINESS STRATEGY

Our strategy is to employ a fleet of drybulk vessels primarily in the spot market and to grow our business through accretive vessel acquisitions. As detailed below, our strategy largely relies on blending certain complementary elements of vessel employment with a capital structure that supports our operations. For example, we believe our

focus on the drybulk spot market and our quarterly dividend policy is attractive to investors because it provides them exposure to the trends of the drybulk shipping industry. We have used equity and debt to finance our fleet and seek to maintain relatively low leverage. Key elements of our business strategy include:

Deploy our vessels primarily in the spot market. We seek to provide shareholders with the opportunity to invest in a company with a strategic focus on the drybulk market by deploying our vessels on voyage or time charters or in vessel pools that are related to the spot market. The spot market is volatile and holds the potential for significant increases or decreases in shipping rates over time. Upward movements in spot rates have the potential to increase our revenues, and we will have opportunities to take advantage of these upswings by not locking our vessels into long-term, fixed-rate time charters. Conversely, our revenues may decline if the spot market does, and we will not benefit from the stabilizing effect of fixed-rate time charters. The spot market may be affected by whether the global economy declines or recovers, particularly with respect to economies outside the United States such as China and India, which have been the primary

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drivers of drybulk trade in recent years. Further, while economic health is one factor influencing demand, supply of drybulk vessels is also an important factor affecting spot market rates. An undersupply of drybulk vessels could lead to higher spot market rates despite weak economic conditions, while an oversupply of drybulk vessels could lead to lower spot market rates despite strong economic conditions as is the case under current market conditions.

Maintain a strong balance sheet. We have used equity and debt to finance our fleet, and we seek to maintain relatively low leverage going forward. When market conditions permit, we may use equity financing to reduce our outstanding debt. We believe our goal of keeping our leverage relatively low will help offset the volatility risk of trading our vessels in the spot market. We also believe this approach will help us capitalize on opportunities if the spot market improves as well as reduce the impact debt covenant restrictions and scheduled debt payments would have on our business if the spot market remains weak or further declines.

Return a substantial portion of our cash flow to shareholders through quarterly dividends. Our dividend policy is to pay quarterly dividends to our shareholders approximately equal to our net income minus cash capital expenditures for vessels, other than vessel acquisitions and related expenses plus non-cash compensation. In recent quarters, our Board of Directors determined to declare a dividend based on our cash flow, liquidity, and capital resources, even though the application of our policy would have resulted in a lesser dividend or no dividend. See “Dividend Policy” herein. We intend to finance future vessel acquisitions through equity financing as debt financing as market conditions permit. By paying dividends in this manner, our goal is to make our common stock more attractive to investors to enhance our ability to conduct equity financings. We paid dividends of \$0.05, \$0.24 and \$0.45 per share during 2013, 2012 and 2011, respectively.

Strategically expand the size of our fleet. We intend to acquire modern, high-quality drybulk carriers through timely and selective acquisitions of vessels. Since our initial public offering, upon the delivery of four Ultramax vessels that we have agreed to acquire, we will have grown the number of vessels in our fleet by approximately 283% and the capacity of our fleet by approximately 139%. Going forward, we expect to fund acquisitions of additional vessels using equity and debt financing while seeking to maintain relatively low leverage. We believe that opportunities exist for acquiring vessels at favorable prices, given the relatively low prices currently prevailing in the market.

Continue to operate a high-quality fleet. We intend to maintain a modern, high-quality fleet that meets or exceeds stringent industry standards and complies with charterer requirements through our technical managers’ comprehensive maintenance program. Currently, we operate a fleet of thirteen modern vessels built in shipyards with reputations for constructing high-quality vessels. We believe that owning a modern, high-quality fleet is more attractive to charterers, reduces operating costs and fuel consumption and allows our fleet to be more reliable, which improves utilization. In addition, we have recently initiated a fuel efficiency upgrade program for certain of our vessels, which consists of the installation at their next scheduled drydocking of propulsion efficiency mechanisms and trim optimization software that we believe will enhance fuel savings, reduce emissions and increase the future earnings potential of these vessels. Finally, our technical managers maintain the quality of our vessels by carrying out regular inspections, both while in port and at sea.

Maintain an efficient management structure with low operating cost. Under the Management Agreement, Genco coordinates and oversees the technical management of our fleet and utilizes qualified third-party independent technical managers. We believe that Genco is able to do so at a cost to us that is lower than what could be achieved by performing the function in-house. Genco’s management team actively monitors and controls vessel operating expenses incurred by the independent technical managers by overseeing their activities. We believe this can enhance the scalability of our business, allowing us to expand our fleet without substantial increases in overhead costs. We also believe we may realize cost benefits based on the combined size of Genco’s fleet and our fleet from the extensive network of sellers of vessel supplies, crewing companies, insurers, and other service providers that Genco and its management team have built over the years.

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Capitalize on our management's experience and reputation. We intend to continue to capitalize on the reputation of the management at Genco and our company for high standards of performance, reliability and safety, and maintain strong relationships with major international charterers and other owners, many of whom consider the reputation of a vessel owner and operator when entering into charters and asset sales.

OUR FLEET

The table below summarizes the characteristics of our vessels that have been or are expected to be delivered to us:

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Vessel	Class	Dwt	Year Built
Baltic Bear	Capesize	177,717	2010
Baltic Wolf	Capesize	177,752	2010
Baltic Lion	Capesize	179,185	2012
Baltic Tiger	Capesize	179,185	2011
Baltic Hornet	Ultramax	64,000	2014 (1)
Baltic Wasp	Ultramax	64,000	2014 (1)
Baltic Scorpion	Ultramax	64,000	2015 (1)
Baltic Mantis	Ultramax	64,000	2015 (1)
Baltic Cougar	Supramax	53,432	2009
Baltic Jaguar	Supramax	53,474	2009
Baltic Leopard	Supramax	53,447	2009
Baltic Panther	Supramax	53,351	2009
Baltic Breeze	Handysize	34,386	2010
Baltic Cove	Handysize	34,403	2010
Baltic Wind	Handysize	34,409	2009
Baltic Fox	Handysize	31,883	2010
Baltic Hare	Handysize	31,887	2009

(1) Built dates for vessels delivering in the future are estimates based on guidance received from the sellers and respective shipyards.

FLEET MANAGEMENT

Genco provides us with commercial and strategic management of our fleet. Commercial management involves negotiating charters for vessels, managing the mix of various types of charters, such as time charters and voyage charters, and monitoring the performance of our vessels under their charters. Strategic management involves locating, purchasing, financing and selling vessels.

We utilize the services of Genco and reputable independent technical managers for the technical management of our fleet. We currently contract with Wallem Shipmanagement Limited (“Wallem”) and Anglo-Eastern Group (“Anglo”), independent technical managers, for our technical management. Technical management involves the day-to-day management of vessels, including performing routine maintenance, attending to vessel operations and arranging for crews and supplies. Members of our Genco New York City-based management team oversee the activities of our independent technical managers. The head of Genco’s technical management team has over 30 years of experience in the shipping industry.

Wallem, founded in 1971, and Anglo, founded in 1974, are among the largest ship management companies in the world. These technical managers are known worldwide for their agency networks, covering all major ports in China, Hong Kong, Japan, Vietnam, Taiwan, Thailand, Malaysia, Indonesia, the Philippines and Singapore. These technical managers provide services to over 500 vessels of all types, including Capesize, Panamax, Supramax, Handymax and Handysize drybulk carriers that meet strict quality standards.

Under our technical management agreements, our technical manager is obligated to:

- provide personnel to supervise the maintenance and general efficiency of our vessels;

- arrange and supervise the maintenance of our vessels to our standards to assure that our vessels comply with applicable national and international regulations and the requirements of our vessels’ classification societies;

·select and train the crews for our vessels, including assuring that the crews have the correct certificates for the types of vessels on which they serve;

·check the compliance of the crews' licenses with the regulations of the vessels' flag states and the International Maritime Organization, or IMO;

·arrange the supply of spares and stores for our vessels; and

·report expense transactions to us, and make its procurement and accounting systems available to us.

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OUR CHARTERS

As of March 3, 2014, all of our vessels were employed under spot market-related time charters, short-term time charters or in vessel pools. Spot market-related time charters and short-term time charters involve the hiring of a vessel from its owner for a period time pursuant to a contract under which the vessel owner places its ship (including its crew and equipment) at the disposal of the charterer. The charterer typically bears all voyage expenses, including the cost of bunkers (fuel), port expenses, agents' fees and canal dues. Spot market-related time charters are subject to the fluctuations in the spot market rather than being based on a fixed daily rate as time charter agreements are.

Four of our drybulk carriers are currently in vessel pools. We believe that vessel pools provide cost-effective commercial management activities for a group of similar class vessels. The pool arrangement provides the benefits of a large-scale operation and chartering efficiencies that might not be available to smaller fleets. Under the pool arrangement, the vessels operate under a time charter agreement whereby the cost of bunkers and port expenses are borne by the charterer and operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. Since the members of the pool share in the revenue generated by the entire group of vessels in the pool, and the pool operates in the spot market, the revenue earned by these four vessels is subject to the fluctuations of the spot market.

Subject to any restrictions in the contract, the charterer determines the type and quantity of cargo to be carried and the ports of loading and discharging. Our vessels operate worldwide within the trading limits imposed by our insurance terms. The technical operation and navigation of the vessel at all times remains the responsibility of the vessel owner, which is generally responsible for the vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses.

Each of our current spot market-related time charters, short-term time charters and vessel pool agreements expire within a range of dates (for example, a minimum of 11 and maximum of 13 months following delivery), with the exact end of the time charter left unspecified to account for the uncertainty of when a vessel will complete its final voyage under the time charter. The charterer may extend the charter period by any time that the vessel is off-hire. If a vessel remains off-hire for more than 30 consecutive days, the time charter may be cancelled at the charterer's option.

In connection with the charter of each of our vessels, we incur commissions generally ranging from 1.25% to 6.25% of the total daily charterhire rate of each charter to third-party brokers, which include the 1.25% commission payable to Genco pursuant to the Management Agreement.

We monitor developments in the drybulk shipping industry on a regular basis and strategically adjust the charterhire periods for our vessels according to market conditions as they become available for charter.

The following table sets forth information about the current employment of the vessels currently in our fleet as of March 3, 2014:

Vessel	Year Built	Charterer	Charter Expiration(1)	Employment Structure	Expected Delivery(2)
Capesize Vessels					
Baltic Bear	2010	Swissmarine Services S.A.	February 2015	101.5% of BCI (3)	
Baltic Wolf	2010	Cargill International S.A.	July 2014	100% of BCI (4)	
Baltic Tiger	2011	Swissmarine Services S.A.	October 2014	102.75% of BCI (5)	
Baltic Lion	2012	Cargill International S.A.			

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			November 2014	102.75% of BCI (6)	
Ultramax					
Vessels					
Baltic Hornet	2014	TBD	TBD	TBD	Q3 2014
Baltic Wasp	2014	TBD	TBD	TBD	Q4 2014
Baltic Scorpion	2015	TBD	TBD	TBD	Q2 2015
Baltic Mantis	2015	TBD	TBD	TBD	Q3 2015
Supramax					
Vessels					
Baltic Leopard	2009	Resource Marine PTE Ltd. (part of the Macquarie group of companies)	March 2014	95% of BSI (7)	
Baltic Panther	2009	Bulkhandling Handymax A/S	May 2014	Spot Pool (8)	
Baltic Jaguar	2009	Resource Marine PTE Ltd. (part of the Macquarie group of companies)	April 2014	95% of BSI (9)	
Baltic Cougar	2009	Bulkhandling Handymax A/S	May 2014	Spot Pool (8)	
Handysize					
Vessels					
Baltic Wind	2009	Pioneer Navigation Ltd.	February 2014	\$8,785 (10)	
Baltic Cove	2010	Trammo Bulk Carriers	January 2015	106% of BHSI (11)	
Baltic Breeze	2010	Cargill International S.A.	July 2014	115% of BHSI (12)	
Baltic Fox	2010	Clipper Logger Pool	September 2015	Spot Pool (13)	
Baltic Hare	2009	Clipper Logger Pool	September 2015	Spot Pool (13)	

(1) The charter expiration dates presented represent the earliest dates that our charters may be terminated in the ordinary course. Under the terms of each contract, the charterer is entitled to extend the time charters from two to four months in order to complete the vessel's final voyage plus any time the vessel has been off-hire.

(2) The dates for the vessels being delivered in the future are estimates based on guidance received from the sellers.

(3) We have agreed to an extension with Swissmarine Services S.A. on a spot market-related time charter based on 101.5% of the average of the daily rates of the Baltic Capesize Index (BCI), published by the Baltic Exchange, as reflected in daily reports. Hire is paid in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco. The minimum and maximum expiration dates of the time charter are February 1, 2015 and April 15, 2015, respectively.

(4) We have reached an agreement with Cargill International S.A. on a spot market-related time charter based on 100% of the average of the daily rates of the BCI, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 5.00% brokerage commission, which includes the 1.25% commission payable to Genco. The duration of the spot market-related time charter is 21.5 to 26.5 months.

(5) We have reached an agreement with Swissmarine Services S.A. on a spot market-related time charter for 10.5 to 13.5 months based on 102.75% of the average of the daily rates of the BCI, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco. The vessel delivered to charterers on November 29, 2013.

(6) We have reached an agreement with Cargill International S.A. on a spot market-related time charter for 10.5 to 13.5 months based on 102.75% of the average of the daily rates of the BCI, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco. The vessel delivered to charterers on December 29, 2013.

(7) We have reached an agreement with Resource Marine PTE Ltd. on a spot market-related time charter for a minimum of 18.5 months to a maximum end date of May 30, 2014 based on 95% of the average of the daily rates of the Baltic Supramax Index (BSI), published by the Baltic Exchange, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco.

(8) We have reached an agreement to enter these vessels into the Bulkhandling Handymax A/S Pool, a vessel pool trading in the spot market of which Torvald Klaveness acts as the pool manager. The vessels have to remain in the pool for a minimum of six months, after which Baltic Trading can withdraw a vessel with three months' notice.

(9) We have reached an agreement with Resource Marine PTE Ltd. on a spot market-related time charter for a minimum of 20.5 months to a maximum end date of July 11, 2014 based on 95% of the average of the daily rates of the BSI, as reflected in daily reports. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco.

(10) We have reached an agreement with Pioneer Navigation Ltd. on a short term spot market-related time charter for 3.5 to 5.5 months in order to position the vessel for its upcoming drydocking. Hire is paid in arrears net of a 6.25% brokerage commission which includes the 1.25% commission payable to Genco.

(11) We have reached an agreement with Trammo Bulk Carriers on a spot market-related time charter for 10.5 months to a maximum expiration date of April 1, 2015 based on 106% of the average of the daily rates of the Baltic Handysize Index (BHSI), published by the Baltic Exchange, as reflected in daily reports except for the initial 58 days in which the hire rate is

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based on the average of the Baltic Handysize HS5 and HS6 routes. Hire is paid every 15 days in arrears net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco. The vessel delivered to charterers on February 15, 2014.

(12) The rate for the spot market-related time charter is based on 115% of the average of the daily rates of the BHSI, as reflected in daily reports. Hire is paid every 15 days in advance net of a 6.25% brokerage commission, which includes the 1.25% commission payable to Genco.

(13) We have reached an agreement to enter these vessels into the Clipper Logger Pool, a vessel pool trading in the spot market of which Clipper Group acts as the pool manager. The vessels will remain in the pool for a minimum period of two years.

The Company's vessels regularly move between countries in international waters, over hundreds of trade routes and, as a result, the disclosure of financial information about geographic areas is impracticable.

CLASSIFICATION AND INSPECTION

All of our vessels have been certified as being "in class" by the American Bureau of Shipping ("ABS"), DNVGL or Lloyd's Register of Shipping ("Lloyd's"). Each of these classification societies is a member of the International Association of Classification Societies. Every commercial vessel's hull and machinery is evaluated by a classification society authorized by its country of registry. The classification society certifies 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. Each vessel is inspected by a surveyor of the classification society in three surveys of varying frequency and thoroughness: every year for the annual survey, every two to three years for the intermediate survey and every four to five years for special surveys. Special surveys always require drydocking. Vessels that are 15 years old or older are required, as part of the intermediate survey process, to be drydocked every 24 to 30 months for inspection of the underwater portions of the vessel and for necessary repairs stemming from the inspection.

In addition to the classification inspections, many of our customers regularly inspect our vessels as a precondition to chartering them for voyages. We believe that our well-maintained, high-quality vessels provide us with a competitive advantage in the current environment of increasing regulation and customer emphasis on quality.

We have implemented the International Safety Management Code, which was promulgated by the International Maritime Organization, or IMO (the United Nations agency for maritime safety and the prevention of marine pollution by ships), to establish pollution prevention requirements applicable to vessels. We obtained documents of compliance for our offices and safety management certificates for all of our vessels for which the certificates are required by the IMO.

CREWING AND EMPLOYEES

Each of our vessels is crewed with 21 to 24 officers and seamen. Our technical managers are responsible for locating and retaining qualified officers for our vessels. The crewing agencies handle each seaman's training, travel and payroll, and ensure that all the seamen on our vessels have the qualifications and licenses required to comply with international regulations and shipping conventions. 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.

As of March 3, 2014, we employed approximately 300 seagoing personnel on our vessels.