

Edgar Filing: Eagle Bulk Shipping Inc. - Form 10-Q

Eagle Bulk Shipping Inc.  
Form 10-Q  
November 13, 2006

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

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FORM 10-Q (Mark One)

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

For the quarterly period ended September 30, 2006

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OR

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

For the transition period from to

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Commission File Number 000-51366

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  
Registrant's Address

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 is a large accelerated filer, an  
accelerated filer, or a non-accelerated filer. See definition of "accelerated  
filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check  
one):

Large accelerated Filer      Accelerated Filer      Non-accelerated Filer      X  
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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 last practicable date.

Common Stock, par value \$0.01per share 35,900,000 shares outstanding as of November 10, 2006.

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Part 1 : FINANCIAL INFORMATION  
 Item 1 : Financial Statements

### EAGLE BULK SHIPPING INC. CONSOLIDATED BALANCE SHEETS

	September 30, 2006 (Unaudited)
Current Assets:	
Cash	\$ 23,213,588
Accounts Receivable	398,152
Prepaid Charter Revenue	4,844,000
Prepaid Expenses	1,599,176
	-----
Total Current Assets	30,054,916
Fixed Assets:	
Vessels and Vessel Improvements, at cost, net of Accumulated	
Depreciation of \$25,607,187 at September 30, 2006 and \$10,384,247	
at December 31, 2005	507,471,279
Restricted Cash	6,524,616
Deferred Drydock Costs, net of Accumulated Amortization of \$543,030 at	
September 30, 2006, and \$27,980 at December 31, 2005	2,148,074
Deferred Financing Costs, net of Accumulated Amortization of \$215,556 at	
September 30, 2006 and \$98,065 at December 31, 2005	2,169,525
Other Assets	3,516,513
	-----
Total Assets	\$ 551,884,923 =====
LIABILITIES & STOCKHOLDERS' EQUITY	
Current Liabilities:	
Accounts Payable	\$ 2,758,788
Accrued Interest	651,441
Other Accrued Liabilities	971,783
Deferred Revenue	77,500
Unearned Charter Hire Revenue	3,299,143
	-----
Total Current Liabilities	7,758,655
Long-term Debt	214,800,000
	-----
Total Liabilities	222,558,655
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, 35,900,000 shares	
issued and outstanding as of September 30, 2006 and 33,150,000 shares issued	
and outstanding as of December 31, 2005, respectively	359,000
Additional Paid-In Capital	357,593,881
Retained Earnings (net of cumulative Dividends declared of \$68,081,500 at	
September 30, 2006 and \$14,661,000 at December 31, 2005)	(32,143,126)
Accumulated Other Comprehensive Income	3,516,513
	-----
Total Stockholders' Equity	329,326,268
	-----
Total Liabilities and Stockholders' Equity	\$ 551,884,923 =====

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 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 September 30, 2006	Three Months ended September 30, 2005	Nine Months ended September 30, 2006
	-----	-----	-----
Revenues, net of commissions	\$ 28,358,830	\$ 21,137,615	\$ 76,254,265
Vessel Expenses	6,118,038	3,732,726	15,742,457
Depreciation and Amortization	5,980,747	3,858,943	15,737,990
General and Administrative Expenses	1,266,905	833,384	3,366,408
Management and Other Fees to Affiliates	--	--	--
Non-cash Compensation Expense	3,076,699	3,735,705	5,768,355
	-----	-----	-----
Total Operating Expenses	16,442,389	12,160,758	40,615,210
	-----	-----	-----
Operating Income/(Loss)	11,916,441	8,976,857	35,639,055
Interest Expense	3,180,336	1,727,416	7,364,009
Interest Income	(364,632)	(144,848)	(1,009,928)
	-----	-----	-----
Net Interest Expense	2,815,704	1,582,568	6,354,081
	-----	-----	-----
Net Income/(Loss)	\$ 9,100,737	\$ 7,394,289	\$ 29,284,974
	=====	=====	=====
Weighted Average Shares Outstanding :			
Basic	35,900,000	27,150,000	34,086,813
Diluted	35,900,678	27,150,000	34,086,848
Per Share Amounts:			
Basic Net Income/(Loss)	\$ 0.25	\$ 0.27	\$ 0.86
Diluted Net Income/(Loss)	\$ 0.25	\$ 0.27	\$ 0.86
Cash dividends declared and paid	\$ 0.50	--	\$ 1.57

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

EAGLE BULK SHIPPING INC.  
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY  
FOR THE NINE-MONTHS ENDED SEPTEMBER 30, 2006

	Shares	Common Shares	Additional Paid-In Capital
	-----	-----	-----
Balance at December 31, 2005 .	33,150,000	\$ 331,500	\$ 320,822,037
Comprehensive Income :			
Net Income	--	--	--
Net Unrealized gains on derivatives	--	--	--
Comprehensive Income	--	--	--
Issuance of Common Stock, net of issuance costs	2,750,000	27,500	31,003,489
Cash Dividends	--	--	--
Non-cash Compensation	--	--	5,768,355
	-----	-----	-----
Balance at September 30, 2006	35,900,000	\$ 359,000	\$ 357,593,881
	=====	=====	=====

	Retained Earnings			Other Comprehensive Income
	Net Income	Cash Dividends	Accumulated Deficit	-----
	-----	-----	-----	-----
Balance at December 31, 2005 .	\$ 6,653,400	\$ (14,661,000)	\$ (8,007,600)	\$ 2,647,077
Comprehensive Income :				
Net Income	29,284,974	--	29,284,974	--
Net Unrealized gains on derivatives	--	--	--	869,436
Comprehensive Income	--	--	--	--
Issuance of Common Stock, net of issuance costs	--	--	--	31,030,989
Cash Dividends	--	(53,420,500)	(53,420,500)	--
Non-cash Compensation	--	--	--	--
	-----	-----	-----	-----
Balance at September 30, 2006	\$ 35,938,374	\$ (68,081,500)	\$ (32,143,126)	\$ 3,516,513
	=====	=====	=====	=====

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

EAGLE BULK SHIPPING INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine e Sept 2 -----
Cash Flows from Operating Activities	
Net Income/(Loss)	\$
Adjustments to Reconcile Net Income (Loss) to Net Cash provided by Operating Activities:	
Items included in net income not affecting cash flows:	
Depreciation	
Amortization of Deferred Drydocking Costs	
Amortization of Deferred Financing Costs	
Amortization of Prepaid and Deferred Charter Revenue	
Non-cash Compensation Expense	
Changes in Operating Assets and Liabilities:	
Accounts Receivable	
Prepaid Revenue	
Prepaid Expenses	
Accounts Payable	
Accrued Interest	
Accrued Expenses	
Deferred Revenue	
Drydocking Expenditures	
Unearned Charter Hire Revenue	
	-----
Net Cash Provided by Operating Activities	
Cash Flows from Investing Activities	
Advances for Vessel Deposits	
Advances for Vessel Improvements	
Purchase of Vessels	(1
	-----
Net Cash Used in Investing Activities	(1
Cash Flows from Financing Activities	
Capital Contribution	
Issuance of Common Stock	
Equity Issuance Costs	
Bank Borrowings	
Repayment of Bank Debt	
Decrease/(Increase) in Restricted Cash	
Deferred Financing Costs	
Borrowings from Eagle Ventures LLC	
Repayment of Eagle Ventures LLC Note	
Cash Dividends	(
	-----
Net Cash Provided by Financing Activities	

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Net (Decrease)/Increase in Cash  
Cash at Beginning of Period

Cash at End of Period

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\$  
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Supplemental Cash Flow Information:  
Cash paid during the period for Interest (including Fees)

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

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EAGLE BULK SHIPPING INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation and General Information

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

The Company is a holding company incorporated on March 23, 2005, under the laws of the Republic of the Marshall Islands. Following incorporation, the Company merged with Eagle Holdings LLC, a Marshall Islands limited liability company formed on January 26, 2005, and became a wholly-owned subsidiary of Eagle Ventures LLC, a Marshall Islands limited liability company. Eagle Ventures LLC is owned by Kelso Investments Associates VII, L.P. and KEP VI, LLC, both affiliates of Kelso & Company, L.P. ("Kelso"), members of management, a director, and outside investors. The merger was accounted for as a reorganization of entities under common control. Eagle Ventures LLC currently owns approximately 28.2% of the Company's outstanding common stock. Eagle Ventures LLC is 80.7% owned by affiliates of Kelso.

The Company is the sole owner of all of the outstanding shares of the Marshall Island incorporated wholly-owned subsidiaries listed below. The primary activity of each of these subsidiaries is the ownership of a vessel.

Company	Owner of Vessel	dwt.	Built	Vessel Acquired
Cardinal Shipping LLC	Cardinal	55,408	2004	April 18, 2005
Condor Shipping LLC	Condor	50,296	2001	April 29, 2005
Falcon Shipping LLC	Falcon	50,296	2001	April 21, 2005

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Griffon Shipping LLC	Griffon	46,635	1995	June 1, 2005
Harrier Shipping LLC	Harrier	50,296	2001	April 19, 2005
Hawk Shipping LLC	Hawk I	50,296	2001	April 26, 2005
Heron Shipping LLC	Heron	52,827	2001	December 1, 2005
Jaeger Shipping LLC	Jaeger	52,248	2004	July 7, 2006
Kestrel Shipping LLC	Kestrel I	50,326	2004	June 30, 2006
Kite Shipping LLC	Kite	47,195	1997	May 9, 2005
Merlin Shipping LLC	Merlin	50,296	2001	October 26, 2005
Osprey Shipping LLC	Osprey I	50,206	2002	August 31, 2005
Peregrine Shipping LLC	Peregrine	50,913	2001	June 30, 2005
Shikra Shipping LLC	Shikra	41,096	1984	April 29, 2005
Sparrow Shipping LLC	Sparrow	48,225	2000	July 19, 2005
Tern Shipping LLC	Tern	50,200	2003	July 3, 2006

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The commercial and strategic management of the Company is carried out by a wholly-owned subsidiary of the Company, Eagle Shipping International (USA) LLC, a Marshall Islands limited liability company.

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The following table represents certain information about the Company's revenue earning charters:

Vessel	Delivered to Charterer	Time Charter Expiration (1)	Daily Time Charter Hire Rate
-----	-----	-----	-----
Cardinal	April 19, 2005	March 2007 to June 2007	\$26,500
Condor	April 30, 2005	November 2006 to March 2007	\$24,000
Falcon	April 22, 2005	February 2008 to June 2008	\$20,950
Griffon	February 17, 2006	January 2007 to March 2007	\$13,550
Harrier	April 21, 2005	March 2007 to June 2007	\$23,750
Hawk I	April 28, 2005	March 2007 to June 2007	\$23,750
Heron	December 11, 2005	November 2007 to February 2008	\$24,000
Jaeger	July 7, 2006	April 2007 to June 2007	\$18,550
Kestrel I (2)	July 1, 2006	December 2007 to April 2008	\$18,750
Kite	April 17, 2006	March 2007 to May 2007	\$14,750
Merlin	October 26, 2005	October 2007 to December 2007	\$24,000
Osprey I (3)	August 31, 2005	July 2008 to November 2008	\$21,000
Peregrine	July 1, 2005	October 2006 to January 2007	\$24,000
Shikra (4)	September 10, 2006	September 2007 to December 2007	\$14,800
Sparrow	July 20, 2005	November 2006 to February 2007	\$22,500
Tern (5)	July 3, 2006	December 2007 to April 2008	\$19,000

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(1) The date range provided represents the earliest and latest date on which the charterer may redeliver the vessel to the Company upon the termination of the charter.

(2) The charterer of the KESTREL I has an option to extend the charter period by 11 to 13 months at a daily time charter rate of \$20,000 per day.



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- (3) The charterer of the OSPREY I has an option to extend the charter period by up to 26 months at a daily time charter rate of \$25,000.
- (4) Upon completion of the current charter in September 2006, the SHIKRA commenced a new time charter at \$14,800 per day for 12 to 15 months.
- (5) The charterer of the TERN has an option to extend the charter period by 11 to 13 months at a daily time charter rate of \$20,500 per day.

The Company began vessel operations in April 2005. 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	Three-months ended September 30, 2006	Three-months ended September 30, 2005	Nine-months ended September 30, 2006	Percentage of January (inc Septembe
Charterer A	14.4%	--	15.3%	
Charterer B	19.4%	19.6%	17.3%	
Charterer C	11.6%	20.2%	13.9%	
Charterer D	12.0%	10.9%	12.3%	
Charterer E	7.2%	9.9%	7.8%	
Charterer F	6.2%	9.1%	7.0%	

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, and the rules and regulations of the SEC which apply to interim financial statements. Accordingly, they do not include all of the information and footnotes normally included in consolidated financial statements prepared in conformity with accounting principles in the United States. They

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should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2005 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 presentation 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.

Note 2. Vessels

Vessel and Vessel Improvements

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During the three-month period ended September 30, 2006, the Company took delivery of the TERN, a 2003 built 50,209 dwt. Supramax class dry bulk vessel, and the JAEGER, a 2004 built 52,265 dwt. Supramax class dry bulk vessel. The Company funded the balance of the purchase price of \$62,100,000 for the two vessels with a combination of proceeds from cash on hand and borrowings from its revolving credit facility.

At September 30, 2006, the Company's fleet consisted of a total of 16 dry bulk vessels acquired at a total cost of \$532,257,562. These costs consist of the contracted purchase price of \$539,877,903, \$472,159 in additional costs relating to the acquisition of the vessels, and adjustments of \$8,092,500 in net prepaid charter revenue relating to the assumption of time charters associated with certain of the acquired vessels. The Company has also capitalized \$820,904 of costs relating to vessel improvements.

Vessel and vessel improvement costs have been depreciated from the date of their acquisition through their remaining estimated useful life. Depreciation expense for the three-month and nine-month periods ended September 30, 2006 were \$5,775,804 and \$15,222,940 respectively.

### Note 3. Long-Term Debt

At September 30, 2006, the Company's debt consisted of \$214,800,000 in borrowings under a revolving credit facility. During the three-month period ended September 30, 2006, the Company borrowed \$32,400,000 from its revolving credit facility to partly fund the acquisition of the JAEGER.

In July 2006, the Company amended and increased its existing revolving credit facility from \$330,000,000 to \$450,000,000 and extended its maturity date by one year to July 2016. The entire \$450,000,000 facility will be available for a period of six years from July 30, 2006, compared to four years remaining in the commitment period of the Company's existing facility. There are no principal repayment obligations during this initial six-year period. Over the remaining four years, the facility will reduce in semi-annual amounts of \$25,000,000 with a final reduction of \$250,000,000 occurring simultaneously with the last semi-annual reduction.

The amended facility will bear interest at the rate of 0.75% to 0.85% over LIBOR (decreased from 0.95% over LIBOR under its existing facility), depending upon the amount of debt drawn as a percentage of the value of the Company's vessels. The Company paid an arrangement fee of \$900,000 in connection with the amended facility and will pay on a quarterly basis a commitment fee of 0.25% per annum (decreased from 0.40% under its existing facility) on the undrawn amount of the amended facility.

At September 30, 2006, the Company had a remaining undrawn capacity of \$235,200,000 available to borrow for future acquisitions of dry bulk vessels.

For the three-month period ended September 30, 2006, interest rates applicable on the Company's debt ranged from 4.97% to 6.32%, including the margin. The weighted average effective interest rate was 5.49%. For the nine-month period ended September 30, 2006, interest rates applicable on the Company's debt ranged from 4.97% to 6.32%, including the margin. The weighted average effective interest rate was 5.37%.

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Interest Expense consists of:

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	Three-months ended September 30, 2006	Three-months ended September 30, 2005	Nine- Septemb
	-----	-----	-----
Loan Interest	\$ 2,986,183	\$ 1,467,773	\$ 6,7
Commitment Fees	142,887	194,900	5
Eagle Ventures Note Interest	--	--	
Amortization of Deferred Financing Costs	51,266	64,743	1
	-----	-----	-----
Total Interest Expense	\$ 3,180,336	\$ 1,727,416	\$ 7,3
	=====	=====	=====

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. The swaps are designated and qualify as cash flow hedges.

During the quarter ended September 30, 2006, the Company entered an interest rate swap contract for a notional amount of \$84,800,000. This contract matures in September 2009. On this contract, exclusive of applicable margin, the Company will pay 5.24% fixed-rate interest and receive floating-rate interest amounts based on three-month LIBOR settings. The Company has two other interest rate swap contracts for notional amounts of \$100,000,000 and \$30,000,000 which were entered into in 2005. These contracts mature in September 2010. On these contracts, exclusive of applicable margin, the Company pays 4.22% and 4.54% fixed-rate interest, respectively, and receives floating-rate interest amounts based on three-month LIBOR settings.

The Company records the fair value of the interest rate swaps as an asset or liability on the balance sheet. The effective portion of the swap is recorded in accumulated other comprehensive income. At September 30, 2006 and December 31, 2005, the Company recorded an asset of \$3,516,513 and \$2,647,077, respectively, which is included in Other Assets in the accompanying balance sheet.

Note 4. Related Party Transactions

The Company did not incur any related party expenses in the three-month or nine-month periods ended September 30, 2006.

The Company did not incur any related party expenses in the corresponding three-month period ended September 30, 2005. During the nine-month period ended September 30, 2005, the Company recorded an expense of \$6,175,046. The Company had a financial advisory agreement dated February 1, 2005 with Kelso. Under the terms of the agreement the Company was to pay Kelso annual fees of up to \$500,000. The agreement had also provided for Kelso to be paid fees in connection with other services. In June 2005, the Company terminated certain of its obligations under this agreement, including its obligation to pay the annual fees of \$500,000, for a one-time payment of \$1,000,000. The Company recorded an expense of \$6,175,046 in the quarter ended June 30, 2005 for fees incurred under such agreement.

Note 5. Commitments and Contingencies

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### Vessel Technical Management Contract

The Company has technical management agreements in place for each of its vessels with V. Ships Management Ltd., an independent technical manager. V. Ships is paid a technical management fee of \$8,583 per vessel per month.

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### Operating Lease

In December 2005, the Company entered into a lease for office space. The lease is secured by a Letter of Credit backed by cash collateral of \$124,616 which amount is recorded under Restricted Cash. The Letter of Credit amounts decline to zero at the conclusion of the lease.

### Note 6. Earnings Per Common Share

The computation of earnings per share is based on the weighted average number of common shares outstanding during the period. In the three-month period ended March 31, 2006, the Company granted 56,666 shares of the Company's stock in options under the 2005 Stock Incentive Plan (see Note 9). Diluted net income per share gives effect to the aforementioned stock options.

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine Months ended September 30, 2006
	-----	-----	-----
Net Income/(Loss)	\$9,100,737	\$7,394,289	\$29,284,974
Weighted Average Shares - Basic .	35,900,000	27,150,000	34,086,813
Incremental Shares using treasury stock method	678	--	35
Weighted Average Shares - Diluted	35,900,678	27,150,000	34,086,848
Basic Earnings Per Share	\$0.25	\$0.27	\$0.86
Diluted Earnings Per Share	\$0.25	\$0.27	\$0.86

### Note 7. Non-cash Compensation

For the three-months ended September 30, 2006 the Company recorded a non-cash, non-dilutive compensation charge of \$3,076,699 which relates to profits interests awarded to members of the Company's management by the Company's principal shareholder Eagle Ventures LLC. For the nine-months ended September 30, 2006 the Company recorded a non-cash compensation charge of \$5,768,355. This amount includes \$5,721,322 in non-cash, non-dilutive charges relating to profits interests awarded to members of the Company's management by the Company's principal shareholder Eagle Ventures LLC, and a non-cash amount of \$47,033 which relates to the fair value of the stock options granted

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to certain directors of the Company under the 2005 Stock Incentive Plan on the date of grant (see Note 9).

These profits interests will dilute only the interests of owners of Eagle Ventures LLC, and will not dilute the direct holders of the Company's common stock. For the three-months ended September 30, 2006, Eagle Ventures LLC paid certain members of the Company's management \$1,756,606 as compensation under the profits interests. The non-cash compensation charge is being recorded as an expense over the estimated service period in accordance with SFAS No. 123(R). The non-cash compensation charges will be based on the fair value of the profits interests which will be "marked to market" at the end of each reporting period. The impact of any changes in the estimated fair value of the profits interests will be recorded as a change in estimate cumulative to the date of change. The impact on the amortization of the compensation charge of any changes to the estimated vesting periods for the performance related profits interests will be adjusted prospectively as a change in estimate.

### Note 8. Capital Stock

#### Dividends

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The Company's current policy is to declare quarterly dividends to stockholders in February, April, July and October. Payment of dividends is limited by the terms of certain agreements which the Company and its subsidiaries are party to. The Company's revolving credit facility permits it to pay quarterly dividends in amounts up to its quarterly earnings before extraordinary or exceptional items, interest, taxes, depreciation and amortization (Credit Agreement 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 dry-docking for the period, 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. Depending on market conditions in the dry bulk shipping industry and acquisition opportunities that may arise, the Company may be required to obtain additional debt or equity financing which could affect its dividend policy. However, any determination to pay dividends in the future will be at the discretion of the Board of Directors and will depend upon the Company's results of operations, financial condition, capital restrictions, covenants and other factors deemed relevant by the Board of Directors.

On July 18, 2006 the Company's Board of Directors declared a cash dividend for the second quarter of 2006 of \$0.50 per share which was paid on August 3, 2006 to all shareholders of record as of July 28, 2006. The aggregate amount of this cash dividend was \$17,950,000.

On October 18, 2006 the Company's Board of Directors declared a cash dividend for the third quarter of 2006 of \$0.51 per share, based on 35,900,000 shares of common stock outstanding, payable on November 2, 2006 to all shareholders of record as of October 30, 2006. The aggregate amount of the cash dividend paid to the Company's shareholders on November 2, 2006 was \$18,309,000.

### Note 9. 2005 Stock Incentive Plan

The Company adopted the 2005 Stock Incentive Plan for the purpose of affording an incentive to eligible persons. The 2005 Stock Incentive Plan

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provides for the grant of equity-based awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, stock bonuses, dividend equivalents and other awards based on or relating to the Company's common stock to eligible non-employee directors, selected officers and other employees and independent contractors. The plan is administered by a committee of the Company's Board of Directors.

An aggregate of 2.6 million shares of the Company's common stock has been authorized for issuance under the plan. As of December 31, 2005, no grants had been made under the plan. On March 17, 2006, the Company granted options to purchase 56,666 shares of the Company's common stock to its independent non-employee directors. These options vested and became exercisable on the grant date at an exercise price of \$13.23 per share. All options expire ten years from the date of grant. As of September 30, 2006, no other grants have been made under the plan.

For purposes of determining compensation cost for the Company's stock option plans using the fair value method of FAS 123(R), the fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 5%, dividend yield of 14%, expected stock price volatility factor of 0.33.

On March 17, 2006, the Company also granted a Dividend Equivalent Rights Award to its independent non-employee directors equivalent to 62,964 shares of the Company's common stock. This award entitles the participant to receive a Dividend Equivalent payment each time the Company pays a dividend to the Company's stockholders. The amount of the Dividend Equivalent payment is equal to the number of Dividend Equivalent Rights multiplied by the amount of the per share dividend paid by the Company on its stock on the date the dividend is paid. In the three-month period ended September 30, 2006, the Company has recorded \$31,482 as compensation expense for the Dividend Equivalent payments relating to the dividend paid to shareholders on August 3, 2006.

### Note 10. Subsequent Events

#### Vessel Newbuilding Contract

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On November 6, 2006, the Company, through its subsidiaries, entered into two vessel newbuilding contracts with IHI Marine United Inc., a Japanese shipyard, for the construction of two 'Future-56' class Supramax vessels. These 56,000 deadweight ton vessels are expected to be delivered in January and February of 2010, respectively. The contract price for each vessel is 3.655 billion Japanese Yen or approximately \$33.5 million after giving effect to currency hedges. The Company has placed deposits of 1.462 billion Japanese Yen or \$12.4 million for each of the vessels, which were funded through borrowings from its credit facility, and will pay an additional 10% of the contract price in November 2009, and the remainder upon delivery. The Company has hedged its Japanese Yen exposures into U.S. Dollars in order to effectively eliminate currency risk.

#### Credit Facility

On November 6, 2006, the Company amended its existing revolving credit facility from its sole lender, Royal Bank of Scotland plc to increase the borrowing capacity from \$450 million to \$500 million. The structure of the

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financing will enable the Company to capitalize pre-delivery payments under the vessel newbuilding contracts described above and costs associated with supervision and financing the new vessels.

There are no principal repayment obligations under the amended facility until July 2012. Over the remaining four years until maturity in 2016, the facility will reduce in semi-annual amounts of \$28,750,000 with a final reduction of \$270,000,000 occurring simultaneously with the last semi-annual reduction. All other terms and conditions of the amended facility remain the same as the existing facility.

### Non-cash Compensation

On November 9, 2006, the limited liability company agreement of Eagle Ventures LLC was amended and restated (the "Fifth LLC Agreement"). Pursuant to the Fifth LLC Agreement, the unvested portion of the performance-related profits interests that previously vested ratably based on Kelso affiliates achieving a multiple (ranging from two to four times) on their original investment in the Company will now vest ratably based on Kelso affiliates achieving a multiple (ranging from two to 3.25 times) on their original investment in the Company. In addition, a first priority payment was added so that certain members of Eagle Ventures receive a first priority distribution from Eagle Ventures, prior to other distributions to members of Eagle Ventures, in an aggregate amount of approximately \$100,000, in order to adjust for the interest payments received by Eagle Ventures on loans made by Eagle Ventures to the Company prior to its initial public offering. Furthermore, all of the service-related profits interests that are subject to a three-year vesting schedule are now considered fully vested for purposes of determining participation in distributions from Eagle Ventures but these service-related profits interests will remain forfeitable, if applicable, by the management members (in accordance with the existing three-year vesting schedule) upon their termination of employment with Eagle Ventures LLC or its subsidiaries (including the Company). Finally, a second priority payment was added so that management members receive a second priority distribution from Eagle Ventures, prior to other distributions to members of Eagle Ventures (other than the first priority payment described above), in an aggregate amount of approximately \$740,000 in respect of such newly vested service-related profits interests. Accordingly, the Company anticipates recording an additional charge in the fourth quarter of approximately \$840,000 as a result of the amendment.

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

The following is a discussion of the Company's financial condition and results of operation for the three-month and nine-month periods ended September 30, 2006. This section should be read in conjunction with the consolidated financial statements included elsewhere in this report and the notes to those financial statements.

This discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended and the Private Securities Litigation Reform Act of 1995 and are intended to be covered by the safe harbor provided for under these sections. These statements may include words such as "believe," "estimate," "project," "intend," "expect," "plan," "anticipate," and similar expressions in connection with any discussion of the

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timing or nature of future operating or financial performance or other events. Forward looking statements reflect management's current expectations and observations with respect to future events and financial performance. Where we express an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed, projected, or implied by those forward-looking statements. 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 charter hire, 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. Our actual results may differ materially from those anticipated in these forward looking statements as a result of certain factors which could include the following: (i) changes in demand in the dry bulk market, including, without limitation, changes in production of, or demand for, commodities and bulk cargoes, generally or in particular regions; (ii) greater than anticipated levels of dry bulk vessel new building orders or lower than anticipated rates of dry bulk vessel scrapping; (iii) changes in rules and regulations applicable to the dry bulk industry, including, without limitation, legislation adopted by international bodies or organizations such as the International Maritime Organization and the European Union or by individual countries; (iv) actions taken by regulatory authorities; (v) changes in trading patterns significantly impacting overall dry bulk tonnage requirements; (vi) changes in the typical seasonal variations in dry bulk charter rates; (vii) changes in the cost of other modes of bulk commodity transportation; (viii) changes in general domestic and international political conditions; (ix) changes in the condition of the Company's vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated dry docking costs); (x) and other factors listed from time to time in our filings with the Securities and Exchange Commission, including, without limitation, our Registration Statement on Form S-1 filed with the Securities and Exchange Commission. This discussion also includes statistical data regarding world dry bulk fleet and orderbook and fleet age. We generated some of these data internally, and some were obtained from independent industry publications and reports that we believe to be reliable sources. We have not independently verified these data nor sought the consent of any organizations to refer to their reports in this annual report. We disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

### Overview

We are Eagle Bulk Shipping Inc., a 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. As of September 30, 2006, we owned and operated a modern fleet of 16 Handymax dry bulk vessels that we have purchased from unrelated third parties. In November 2006, we further expanded our fleet by placing orders for two newbuilding vessels of 56,000 dwt capacity which are to be delivered into our fleet in the first quarter of 2010.

We are focused on maintaining a high quality fleet that is concentrated primarily in one vessel type - Handymax dry bulk carriers and its sub-category of Supramax vessels which are Handymax vessels ranging in size



from 50,000 to 60,000 dwt. Twelve of the 16 vessels in our operating fleet are classed as Supramax dry bulk vessels. These vessels have the cargo loading and unloading flexibility of on-board cranes while offering cargo carrying capacities approaching that of Panamax dry bulk vessels, which range in size from 60,000 to 100,000 dwt and must rely on port facilities to load and offload their cargoes. We believe that the cargo handling flexibility and cargo carrying capacity of the Supramax class vessels make them attractive to potential charterers. The 16 vessels in our operating fleet have a combined carrying capacity of 796,759 dwt and an average age of six years as compared to an average age for the world Handymax dry bulk fleet of over 15 years.

Each of our vessels is owned by us through a separate wholly owned Marshall Islands limited liability company.

We maintain our principal executive offices at 477 Madison Avenue, New York, New York 10022. Our telephone number at that address is (212) 785-2500. Our website address is [www.eagleships.com](http://www.eagleships.com). Information contained on our website does not constitute part of this quarterly report.

Our financial performance since inception is based on the following key elements of our business strategy:

- (1) concentration in one vessel category: Handymax dry bulk vessels, which offer size, operational and geographical advantages (over Panamax and Capesize vessels),
- (2) 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. Reliance on the spot market contributes to fluctuations in revenue, cash flow, and net income. On the other hand, time charters provide a shipping company with a predictable level of revenues. We have entered into time charters for all of our vessels which range in length from one to three years and provide for fixed semi-monthly payments in advance. This strategy is effective in strong and weak dry bulk markets, giving us security and predictability of cashflows when we look at the volatility of the shipping markets,
- (3) maintain high quality vessels and improve standards of operation through improved environmental procedures, crew training and maintenance and repair procedures, and
- (4) maintain a balance between purchasing vessels as market conditions and opportunities arise and maintaining prudent financial ratios (e.g. leverage ratio).

Our Fleet

The following table presents certain information concerning our fleet as of September 30, 2006.

Vessel	Year Built	Dwt	Time Charter Employment Expiration (1)
SUPRAMAX:			

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Cardinal (3)	2004	55,408	March 2007 to June 2007
Condor (2) (4)	2001	50,296	November 2006 to March 2007
Falcon (2)	2001	50,296	February 2008 to June 2008
Harrier (2)	2001	50,296	March 2007 to June 2007
Hawk I (2) (5)	2001	50,296	April 2007
Heron	2001	52,827	December 2007 to February 2008
Jaeger	2004	52,248	April 2007 to June 2007
Kestrel ((6))	2004	50,326	December 2007 to April 2008
Merlin (2)	2001	50,296	October 2007 to December 2007
Osprey I (2) (7)	2002	50,206	July 2008 to November 2008
Peregrine (3) (8)	2001	50,913	October 2006 to January 2007

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Tern (9)	2003	50,200	December 2007 to April 2008
HANDYMAX:			
Sparrow (3) (10)	2000	48,225	November 2006 to February 2007
Kite	1997	47,195	March 2007 to May 2007
Griffon (11)	1995	46,635	January 2007 to February 2007
Shikra (12)	1984	41,096	September 2007 to December 2007

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- (1) The date range provided represents the earliest and latest date on which the charterers may redeliver the vessel to us upon the termination of the charter.
  - (2) These vessels are sister ships.
  - (3) These vessels are similar ships built at the same shipyard.
  - (4) Upon completion of the current charter the CONDOR will enter a new time charter at \$20,500 per day for 26 to 29 months.
  - (5) The charter for the HAWK I has been renewed at \$22,000 per day commencing in April 2007 for 24 to 26 months.
  - (6) The charterer of the KESTREL I has an option to extend the charter period by 11 to 13 months at a daily time charter rate of \$20,000 per day.
  - (7) The charterer of the OSPREY I has an option to extend the charter period by up to 26 month at a daily time charter rate of \$25,000 per day.
  - (8) Upon completion of the current charter the PEREGRINE will enter a new time charter at \$20,500 per day for 24 to 26 months.
  - (9) The charterer of the TERN has an option to extend the charter period by 11 to 13 months at a daily time charter rate of \$20,500 per day..
  - (10) Upon completion of the current charter the SPARROW will enter a new time charter at a base rate of \$24,000 per day for 11 to 13 months with a profit share of 30% of up to the first \$3,000 per day over the base rate
  - (11) Upon completion of the current charter the GRIFFON will enter a new time charter at \$20,075 per day for 24 to 26 months.

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- (12) Upon completion of the current charter in September 2006, the SHIKRA commenced a new time charter at \$14,800 per day for 12 to 15 months.

### New Acquisitions

In November 2006, the Company, through its subsidiaries, entered into two vessel newbuilding contracts with IHI Marine United Inc., a Japanese shipyard, for the construction of two 'Future-56' class Supramax vessels. These 56,000 deadweight ton vessels are expected to be delivered in January and February of 2010, respectively. The contract price for each vessel is 3.655 billion Japanese Yen or approximately \$33.5 million after giving effect to currency hedges. The Company has placed deposits of 1.462 billion Japanese Yen or \$12.4 million for each of the vessels, which were funded through borrowings from its credit facility, and will pay an additional 10% of the contract price in November 2009, and the remainder upon delivery. The Company has hedged its Japanese Yen exposures into U.S. Dollars in order to effectively eliminate currency risk.

### Fleet Management

The management of our fleet includes the following functions:

- o Strategic management. We locate, obtain financing and insurance for, purchase and sell vessels.
- o Commercial management. We obtain employment for our vessels and manage our relationships with charterers.
- o Technical management. The technical manager performs day-to-day operations and maintenance of our vessels.

### Commercial and Strategic Management

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We carry out the commercial and strategic management of our fleet through our wholly owned subsidiary, Eagle Shipping International (USA) LLC, a Marshall Islands limited liability company that maintains its principal executive offices in New York City. We currently have a total of eight shore based personnel, including our senior management team and our office staff, either directly or through this subsidiary, provides the following services:

- o commercial operations and technical supervision;
- o safety monitoring;
- o vessel acquisition; and
- o financial, accounting and information technology services.

### Technical Management

The technical management of our fleet is provided by 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 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,

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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 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 341 officers and seamen on the 16 vessels in our operating fleet. 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.

For the three and nine-month periods ended September 30, 2006, we paid our technical manager a fee of \$8,583 per vessel per month, plus actual costs incurred by our vessels.

### Competition

We compete with a large number of international fleets. The international shipping industry is highly competitive and fragmented with many market participants. There are approximately 6,300 drybulk carriers aggregating approximately 360 million dwt, and the ownership of these vessels is divided among approximately 1,400 mainly private independent dry bulk vessel owners with no one shipping group owning or controlling more than 5.0% of the world dry bulk fleet. We primarily compete with other owners of dry bulk vessels in the Handymax class that are mainly privately owned fleets.

Competition in the ocean shipping industry varies primarily according to the nature of the contractual relationship as well as with respect to the kind of commodity being shipped. 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

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items. Competition in virtually all bulk trades is intense 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. Increasingly, major customers are demonstrating a preference for modern vessels based on concerns about the environmental and operational risks associated with older vessels. Consequently, owners of large

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modern fleets have gained a competitive advantage over owners of older fleets.

As in the spot market, the time charter market is price sensitive and also depends on our ability to demonstrate the high quality of our vessels and operations to chartering customers. However, because of the longer term commitment, customers entering time charters are more concerned about their exposure and image from chartering vessels that do not comply with environmental regulations or that will be forced out of service for extensive maintenance and repairs. Consequently, in the time charter market, factors such as the age and quality of a vessel and the reputation of the owner and operator tend to be more significant than in the spot market in competing for business.

### Value of Assets and Cash Requirements

The replacement costs of comparable new vessels may be above or below the book value of our fleet. The market value of our fleet may be below book value when market conditions are weak and exceed book value when markets are strong. In common with other shipowners, we may consider asset redeployment which at times may include the sale of vessels at less than their book value.

The Company's results of operations and cash flow may be significantly affected by future charter markets.

### Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based upon our interim consolidated 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.

### Revenue Recognition

We currently generate all of our revenue from time charters. Time charters are for a specific period of time at a specific rate per day or month, and are generally not as complex or as subjective as voyage charters. If we had a vessel on a voyage charter, or a charter in the spot market, we would agree to provide a vessel for the transport of specific goods between specific ports in return for the payment of an agreed upon freight per ton of cargo or, alternatively, for a specified total amount. All operating costs would be for our account.

### Vessel Lives and Impairment

The carrying value of each of our vessels represents its original cost at the time it was delivered or purchased less 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 salvage value. Salvage, or scrap, value is based upon a vessel's lightweight tonnage ("lwt") multiplied by a scrap rate. We use a scrap rate of \$150 per lwt, which we believe is common in the dry bulk shipping industry, to compute

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each vessel's salvage value. An increase in the useful life of a dry bulk vessel or in its salvage 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 salvage 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

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basis, the vessel's useful life is adjusted to end at the date such regulations become effective. The estimated scrap value is used in the computation of depreciation expense and recoverability of the carrying value of each vessel when evaluating for impairment of vessels. Management's estimates for salvage values may differ from actual results.

The carrying values of the Company's vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Historically, both charter rates and vessel values tend to be cyclical. 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. This assessment is made at the individual vessel level since separately identifiable cash flow information for each vessel is available. In developing estimates of future cash flows, the Company must make assumptions about future charter rates, ship operating expenses, and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations. Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective. 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

There are three methods that are used by the shipping industry to account for drydockings; first is the prepaid method where drydock costs are capitalized when incurred and amortized over the period to the next scheduled drydock; second, is the accrual method where the estimated cost of the next scheduled drydock is accrued over the period preceding such drydock, and lastly; expensing drydocking costs in the period it is incurred. We use the prepaid method of accounting for drydock expenses. Under the prepaid method, drydock expenses are capitalized and amortized on a straight-line basis until the next drydock, which we estimate to be a period of two to three years. We believe the prepaid method better matches costs with revenue and minimizes any significant changes in estimates associated with the accrual method, including the disposal of vessels before a drydock which has been accrued before it is performed. We use judgment when estimating the period between drydocks performed, which can result in adjustments to the estimated amortization of drydock expense. If the vessel is disposed of before the next drydock, the remaining balance in prepaid drydock is written-off to the gain or loss upon

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disposal of vessels in the period when contracted. 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. Costs capitalized as part of the drydocking include actual costs incurred at the drydock yard and parts and supplies used in making such repairs.

### 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 amount of expected future cash flows. We value any asset or liability arising from the market value of the time charters assumed when an acquired vessel is delivered to us.

Where we have assumed an existing charter obligation or enter into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are less than market charter rates, we record a liability in Deferred Revenues based on the difference between the assumed charter rate and the market charter rate for an equivalent vessel. Conversely, where we assume an existing charter obligation or enter into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are above market charter rates, we record an asset in Prepaid Charter Revenue, based on the difference between the market charter rate and the contracted charter rate for an equivalent vessel. This determination is made at the time the vessel is delivered to us, and such assets and liabilities are amortized to revenue over the remaining period of the charter. The determination of the fair value of acquired assets and assumed liabilities requires us to make significant assumptions and estimates of many

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variables including market charter rates, expected future charter rates, future vessel operation expenses, the level of utilization of our vessels and our weighted average cost of capital. The use of different assumptions could result in a material change in the fair value of these items, which could have a material impact on our financial position and results of operations. In the event that the market charter rates relating to the acquired vessels are lower than the contracted charter rates at the time of their respective deliveries to us, our net earnings for the remainder of the terms of the charters may be adversely affected although our cash flows will not be so affected.

### 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:

- o **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.
- o **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 vessel familiarization upon acquisition, scheduled repairs or repairs under guarantee, vessel upgrades or

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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.

- o 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.
- o 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.

### Voyage and Time Charter Revenue

Shipping revenues are highly sensitive to patterns of supply and demand for vessels of the size and design configurations owned and operated by a Company and the trades in which those vessels operate. In the drybulk sector of the shipping industry, rates for the transportation of drybulk cargoes such as ores, grains, steel, fertilizers, and similar commodities, are determined by market forces such as the supply and demand for such commodities, the distance that cargoes must be transported, and the number of vessels expected to be available at the time such cargoes need to be transported. The demand for shipments then is significantly affected by the state of the economy globally and in discrete geographical areas. The number of vessels is affected by newbuilding deliveries and by the removal of existing vessels from service, principally because of scrapping.

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 the daily charter hire rates that our vessels earn under charters, which, in turn, are affected by a number of factors, including:

- o the duration of our charters;
- o our decisions relating to vessel acquisitions and disposals;
- o the amount of time that we spend positioning our vessels;
- o the amount of time that our vessels spend in dry-dock undergoing repairs;
- o maintenance and upgrade work;

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- o the age, condition and specifications of our vessels;
- o levels of supply and demand in the dry bulk shipping industry; and
- o other factors affecting spot market charter rates for dry bulk carriers.



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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 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, other miscellaneous expenses, and technical management fees.

Insurance expense varies with overall insurance market conditions as well as the insured's loss record, level of insurance and desired coverage. The main vessel insurance expenses include Protection and Indemnity ("P & I") insurance (i.e. liability insurance) costs, and hull and machinery insurance (i.e. asset insurance) costs. Certain other insurances, such as basic war risk premiums based on voyages into designated war risk areas are often for the account of the charterers.

With regard to vessel operating expenses, we have entered into technical management agreements for each of our vessels with V. Ships Management Ltd, our independent technical manager. In conjunction with our management, V. Ships has established an operating expense budget for each vessel and performs the technical management of our vessels. All deviations from the budgeted amounts are for our account.

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 dry-docking and repairs, purchasing stores, supplies, spare parts and new equipment, appointing supervisors and technical consultants and providing technical support.

Our vessel operating expenses, which generally represent costs under the vessel operating budgets, cost of insurance and vessel registry and other regulatory fees, will increase with the enlargement of our fleet. Other factors beyond our control, some of which may affect the shipping industry in general, may also cause these expenses to increase, including, for instance, developments relating to market prices for insurance and petroleum-based lubricants and supplies.

### Voyage Expenses

To the extent that we employ our vessels on voyage charters, we will incur expenses that include port and canal charges, bunker (fuel oil) expenses and commissions, as these expenses are borne by the vessel owner on voyage charters. 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. Currently all our vessels are employed under time charters that require the charterer to bear all of those expenses, hence we expect that any port and canal charges and bunker expenses, if incurred, will represent a relatively minor portion of our vessels' overall expenses.

Results of Operations for the three-month periods ended September 30, 2006 and September 30, 2005 and nine-months ended September 30, 2006 and the period from January 26, 2005 (inception) to September 30, 2005

### Fleet Data

Fleet utilization was steady for the three-month periods ending September

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30, 2006 and September 30, 2005 respectively even as fleet days increased by 57% in the three-month period from a year before due to increase in fleet size.

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	Three Months ended September 30, 2006	Three Months ended September 30, 2005	Nine Months ended September 30, 2006	Period from Janu (inception) t September 30 2005
	-----	-----	-----	-----
Ownership Days	1,463	932	3,816	1,422
Available Days	1,443	929	3,752	1,408
Operating Days	1,437	926	3,734	1,403
Fleet Utilization	99.6%	99.7%	99.5%	99.6%

### Revenues

Net revenues, for the three-month period ended September 30, 2006, of \$28,358,830 includes billed time charter revenues of \$30,671,690 and deductions for brokerage commissions of \$1,587,860 and \$725,000 in amortization of net prepaid and deferred charter revenue. Net revenues for the three-month period ended September 30, 2006 were 134% greater than net revenues for the three-month period ended September 30, 2005, primarily due to a larger fleet size as reflected by increased operating days. Net revenue, for the same three-month period ended September 30, 2005, was \$21,137,615 which included billed time charter revenues of \$22,315,461 and deductions for brokerage commissions of \$1,054,346 and \$123,500 in amortization of net prepaid and deferred charter revenue.

Net revenues, for the nine-month period ended September 30, 2006, of \$76,254,265 includes billed time charter revenues of \$82,919,582 and deductions for brokerage commissions of \$4,229,817 and \$2,435,500 in amortization of net prepaid and deferred charter revenue. Net revenue, for the period from January 26, 2005 (inception) to September 30, 2005, was \$31,753,494 which included billed time charter revenues of \$33,801,872 and deductions for brokerage commissions of \$1,719,878 and \$328,500 in amortization of net prepaid and deferred charter revenue. Net revenues for the nine-month period ended September 30, 2006 were greater than net revenues for the period from January 26, 2005 (inception) to September 30, 2005 primarily due to a larger fleet size and to reflect the shorter operating period in 2005 as vessel operations commenced only in April 2005.

### Vessel Expenses

For the three-month period ended September 30, 2006, total vessel expenses incurred amounted to \$6,118,038. These expenses included \$5,231,420 in vessel operating costs, \$410,353 in technical management fees, \$213,636 in delivery and pre-operating costs, including costs for providing initial provisions, stores and spares, for the three newly acquired vessels which went into operation in the quarter, and \$262,629 in costs associated with vessel on-board inventory. Total vessel expenses for the corresponding three-month period ended September 30, 2005 were \$3,732,726 and this included vessel operating costs of \$3,420,859, delivery and pre-operating costs of \$275,383, and inventory costs of \$36,484. Total vessel expenses for the three-month

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period ended September 30, 2006 were higher than the same three-month period ended September 30, 2005 primarily due to the increase in fleet size and corresponding increase in vessel ownership days.

For the nine-month period ended September 30, 2006, total vessel expenses incurred amounted to \$15,742,457. These expenses included \$14,080,431 in vessel operating costs, \$1,079,853 in technical management fees, \$213,636 in delivery and pre-operating costs, including costs for providing initial provisions, stores and spares, for the three newly acquired vessels which went into operation in the quarter, and \$368,537 in costs associated with vessel on-board inventory. Total vessel expenses for the period from January 26, 2005 (inception) to September 30, 2005 were \$6,848,124 and this included vessel operating costs of \$4,983,409, delivery and pre-operating costs of \$1,462,933, and inventory costs of \$401,782. Total vessel expenses for the nine-month period ended September 30, 2006 were higher than the period from January 26, 2005 (inception) to September 30, 2005 due to the increase in fleet size and the increase in vessel ownership days.

### Depreciation and Amortization

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For the three-month period ended September 30, 2006, total depreciation and amortization expense was \$5,980,747 of which amount, \$5,775,804 relates to depreciation and \$204,943 relates to the amortization of deferred drydocking costs. Total depreciation expense for the corresponding three-month period ended September 30, 2005 was \$3,858,943. Depreciation expenses increased from the corresponding three-month period ended September 30, 2005 due to the growth in our fleet. Amortization of deferred financing costs for the three-month periods ended September 30, 2006 and 2005 is included in interest expense.

For the nine-month period ended September 30, 2006, total depreciation and amortization expense was \$15,737,990 of which amount, \$15,222,940 relates to depreciation and \$515,050 relates to the amortization of deferred drydocking costs. Total depreciation expense for the period from January 26, 2005 (inception) to September 30, 2005 was \$5,879,515. Depreciation expenses increased from the corresponding period from January 26, 2005 (inception) to September 30, 2005 due to the growth in our fleet. Amortization of deferred financing costs for the nine-month period ended September 30, 2006 and the period from January 26, 2005 (inception) to September 30, 2005 is included in interest expense.

### General and Administrative Expenses

General and Administrative Expenses for the three-month periods ended September 30, 2006 and 2005 were \$1,266,905 and \$833,384 respectively. The increase in such expenses was primarily due to increase in recurring administrative costs as our fleet expanded. Our general and administrative expenses include recurring administrative costs and non-recurring formation and advisory costs. Recurring costs include our onshore vessel administration related expenses such as legal and professional expenses and administrative and other expenses including payroll and expenses relating to our executive officers and office staff, office rent and expenses, directors fees and compensation, and directors and officers insurance. For the three-month periods ended September 30, 2006 and 2005, all of our general and administrative costs were recurring in nature. We expect general and administrative expenses to increase as our fleet expands.

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General and Administrative Expenses for the nine-month period ended September 30, 2006 and period from January 26, 2005 (inception) to September 30, 2005 were \$3,366,408 and \$2,253,421, respectively. The increase in such expenses was primarily due to increase in recurring administrative costs as our fleet expanded. For the nine-month period ended September 30, 2006, all of our general and administrative costs were recurring in nature. For the corresponding period from January 26, 2005 (inception) to September 30, 2005, recurring administrative costs amounted to \$1,443,154 and non-recurring costs amounted to \$810,267.

### Financial Advisory Fees

We did not incur any related party expenses in the three-month or nine-month periods ended September 30, 2006. We did not incur any related party expenses in the corresponding three-month period ended September 30, 2005. For the nine-month period ended September 30, 2005, the Company recorded an expense of \$6,175,046 which relates to a financial advisory agreement dated February 1, 2005 with Kelso which was terminated in 2005. Under the terms of the agreement the Company was to pay Kelso annual fees of up to \$500,000. The agreement had also provided for Kelso to be paid fees in connection with other services. In June 2005, the Company terminated certain of its obligations under this agreement, including its obligation to pay the annual fees of \$500,000, for a one-time payment of \$1,000,000. The Company recorded an expense of \$6,175,046 in the quarter ended June 30, 2005 for fees incurred under such agreement.

### Non-Cash Compensation Expense

For the three-month periods ended September 30, 2006 and 2005, the Company recorded non-cash compensation charges of \$3,076,699 and \$3,735,705, respectively. For the nine-month period ended September 30, 2006 and the period from January 26, 2005 (inception) to September 30, 2005 the Company recorded non-cash compensation charges of \$5,768,355 and \$11,376,552, respectively. The expense for the nine-month period ended September 30, 2006 includes \$5,721,322 in non-cash, non-dilutive charges relating to profits interests awarded to members of the Company's management by the Company's principal shareholder Eagle Ventures LLC, and a non-

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cash amount of \$47,033 which relates to the fair value of the stock options granted on March 17, 2006 to certain directors of the Company under the 2005 Stock Incentive Plan.

These non-cash, non-dilutive charges relate to profits interests awarded to members of the Company's management by the Company's principal shareholder Eagle Ventures LLC. These profits interests will dilute only the interests of the owners of Eagle Ventures LLC, and will not dilute the direct holders of the Company's common stock. The non-cash compensation charge is being recorded as an expense over the estimated service period in accordance with SFAS No. 123(R). The non-cash compensation charges will be based on the fair value of the profits interests which will be "marked to market" at the end of each reporting period. The impact of any changes in the estimated fair value of the profits interests will be recorded as a change in estimate cumulative to the date of change. The impact on the amortization of the compensation charge of any changes to the estimated vesting periods for the performance related profits interests will be adjusted prospectively as a change in estimate. The Company's Financial Statements for the year ended December 31, 2005 on Form 10-K includes a more detailed description of these profits interests.

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From January 26, 2005 (inception) to June 30, 2006, named executive officers of Eagle Bulk received the following aggregate distributions from Eagle Ventures in respect of their common equity ownership interest in Eagle Ventures: Sophocles Zoullas (\$469,976) and Alan Ginsberg (\$2,956).

On September 12, 2006, the Company's principal shareholder, Eagle Ventures, sold 2,300,000 shares of the Company's common stock in a secondary sale in a private placement. Eagle Ventures distributed the proceeds of this secondary sale to its members in accordance with the Fourth Amended and Restated Limited Liability Company Agreement of Eagle Ventures. Named executive officers of Eagle Bulk received proceeds from this distribution (in respect of vested profits interests) as follows: Sophocles Zoullas (\$1,497,107) and Alan Ginsberg (\$99,807). Named executive officers of Eagle Bulk received additional proceeds from this distribution (in respect of their common ownership interests in Eagle Ventures) as follows: Sophocles Zoullas (\$481,704) and Alan Ginsberg (\$3,030).

In addition, on October 18, 2006 the Company's Board of Directors declared a cash dividend for the third quarter of 2006 of \$0.51 per share to all shareholders of record as of October 30, 2006, including Eagle Ventures, which was paid on November 2, 2006. Eagle Ventures distributed the proceeds of this dividend to its members in accordance with the Fourth Amended and Restated Limited Liability Company Agreement of Eagle Ventures. Named executive officers of Eagle Bulk received proceeds from this distribution (in respect of vested profits interests) as follows: Sophocles Zoullas (\$334,710) and Alan Ginsberg (\$22,314). Named executive officers of Eagle Bulk received additional proceeds from this distribution (in respect of their common ownership interests in Eagle Ventures) as follows: Sophocles Zoullas (\$72,638) and Alan Ginsberg (\$457).

On November 9, 2006, the limited liability company agreement of Eagle Ventures LLC was amended and restated (the "Fifth LLC Agreement") and is included as Exhibit 10.7 to this quarterly report. Pursuant to the Fifth LLC Agreement, the unvested portion of the performance-related profits interests that previously vested ratably based on Kelso affiliates achieving a multiple (ranging from two to four times) on their original investment in the Company will now vest ratably based on Kelso affiliates achieving a multiple (ranging from two to 3.25 times) on their original investment in the Company. In addition, a first priority catch-up payment was added so that certain members of Eagle Ventures receive a first priority distribution from Eagle Ventures, prior to other distributions to members of Eagle Ventures, in an aggregate amount of approximately \$100,000, in order to adjust for the interest payments received by Eagle Ventures on loans made by Eagle Ventures to the Company prior to its initial public offering. Furthermore, all of the service-related profits interests that are subject to a three-year vesting schedule are now considered fully vested for purposes of determining participation in distributions from Eagle Ventures but these service-related profits interests will remain forfeitable, if applicable, by the management members (in accordance with the existing three-year vesting schedule) upon their termination of employment with Eagle Ventures LLC or its subsidiaries (including the Company). Finally, a second priority catch-up payment was added so that management members receive a second priority distribution from Eagle Ventures, prior to other distributions to members of Eagle Ventures (other than the first priority catch-up payment described above), in an aggregate amount of approximately \$740,000, as a catch-up in respect of such newly vested service-related profits interests. Accordingly, we anticipate recording an additional charge in the fourth quarter of approximately \$840,000 as a result of the amendment.

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### Interest and Finance Costs

Interest expense for the three-month period ended September 30, 2006, of \$3,180,336 includes loan interest of \$2,986,183 incurred on our borrowings from our revolving credit facility, commitment fees of \$142,887 incurred on the unused portion of the revolving credit facility, and costs of \$51,266 relating to the amortization of financing costs associated with our revolving credit facility.

Interest expense for the corresponding three-month period ended September 30, 2005, was \$1,727,416. These costs included loan interest costs of \$1,467,773, commitment fees of \$194,900, and amortization charges of \$64,743 relating to financing costs associated with the then existing term loan and the revolving credit facility.

Interest expense for the nine-month period ended September 30, 2006, of \$7,364,009 includes loan interest of \$6,720,658 incurred on our borrowings from our revolving credit facility, commitment fees of \$525,860 incurred on the unused portion of the revolving credit facility, and costs of \$117,491 relating to the amortization of financing costs associated with our revolving credit facility.

Interest expense for the previous period from January 26, 2005 (inception) to September 30, 2005, was \$4,961,012. These costs included loan interest costs of \$2,821,079, commitment fees of \$336,255, \$608,222 in interest costs associated with a Note from Eagle Ventures, and amortization charges of \$1,195,456 which includes a write-off of \$1,130,713 relating to the deferred financing fees associated with the then existing term loan which was entirely repaid upon refinancing with our revolving credit facility in July 2005, and \$64,743 relating to amortization of financing costs associated with the revolving credit facility.

For the three-month period ended September 30, 2006, interest rates applicable on the Company's debt ranged from 4.97% to 6.32%, including the margin. The weighted average effective interest rate was 5.49%. For the nine-month period ended September 30, 2006, interest rates applicable on the Company's debt ranged from 4.97% to 6.32%, including the margin. The weighted average effective interest rate was 5.37%.

Our interest expense will increase as we increase our debt to finance vessel acquisitions for our fleet growth.

### Interest Rate Swaps

We have entered into interest rate swaps to effectively convert a portion of its debt from a floating to a fixed-rate basis. The swaps are designated and qualify as cash flow hedges.

During the quarter ended September 30, 2006, we entered an interest rate swap contract for a notional amount of \$84,800,000. This contract matures in September 2009. On this contract, exclusive of applicable margin, the Company will pay 5.24% fixed-rate interest and receive floating-rate interest amounts based on three-month LIBOR settings. The Company has two other interest rate swap contracts for notional amounts of \$100,000,000 and \$30,000,000 which were entered into in 2005. These contracts mature in September 2010. On these contracts, exclusive of applicable margin, the Company pays 4.22% and 4.54% fixed-rate interest, respectively, and receives floating-rate interest amounts based on three-month LIBOR settings.

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We record the fair value of the interest rate swap as an asset or liability in our financial statement. The effective portion of the swap is recorded in accumulated other comprehensive income. Accordingly, at September 30, 2006 and December 31, 2005, we recorded an asset of \$3,516,513 and \$2,647,077, respectively, which is included in Other Assets in the accompanying balance sheet.

### EBITDA

EBITDA represents operating earnings before extraordinary items, depreciation and amortization, interest expense, and income taxes, if any. EBITDA is included because it is used by certain investors to measure a company's financial performance. EBITDA is not an item recognized by GAAP and should not be considered a substitute for net

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income, cash flow from operating activities and other operations or cash flow statement data prepared in accordance with accounting principles generally accepted in the United States or as a measure of profitability or liquidity. EBITDA is presented to provide additional information with respect to the Company's ability to satisfy its obligations including debt service, capital expenditures, and working capital requirements. While EBITDA is frequently used as a measure of operating results and the ability to meet debt service requirements, the definition of EBITDA used here may not be comparable to that used by other companies due to differences in methods of calculation.

Our revolving credit facility permits us to pay dividends in amounts up to our earnings before extraordinary or exceptional items, interest, taxes, depreciation and amortization (Credit Agreement 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 dry-docking. Therefore, we believe that this non-GAAP measure is important for our investors as it reflects our ability to pay dividends. The following table is a reconciliation of net income, as reflected in the consolidated statements of operations, to the Credit Agreement EBITDA for the three-month periods ended September 30, 2006 and 2005 and for the nine-month period ended September 30, 2006 and the period from January 26, 2005 (inception) to September 30, 2005 respectively:

	Three-Months ended September 30, 2006	Three-Months ended September 30, 2005	Nine-Month ended September 2006
	-----	-----	-----
Net Income/(Loss)	\$9,100,737	\$7,394,289	\$29,284
Interest Expense	3,180,336	1,727,416	7,364
Depreciation and Amortization	5,980,747	3,858,943	15,737
Amortization of Prepaid and Deferred Revenue	725,000	123,500	2,435
	-----	-----	-----
EBITDA	18,986,820	13,104,148	54,822
Adjustments for Exceptional Items:			
Management and Other Fees to Affiliates (1)	--	--	

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Non-cash Compensation Expense (2)	3,076,699	3,735,705	5,768
	-----	-----	-----
Credit Agreement EBITDA	\$22,063,519	\$16,839,853	\$60,590
	=====	=====	=====

(1) One-time charge

(2) Management's participation in profits interests in Eagle Ventures LLC and Options Expense (see Notes to our financial statements)

### Effects of Inflation

We do not believe that inflation has had or is likely, in the foreseeable future, to have a significant impact on vessel operating expenses, drydocking expenses or general and administrative expenses.

### Liquidity and Capital Resources

Net cash provided by operating activities during the nine-month period ended September 30, 2006, was \$52,123,412 compared to \$18,359,470 during the period from inception on January 26, 2005 to September 30, 2005. This increase was primarily due to cash generated from the operation of a fleet of 16 vessels for 3,816 operating days in the period for 2006 compared to 1,422 operating days from 11 vessels during the corresponding period in 2005.

Net cash used in investing activities during the nine-month period ended September 30, 2006, was \$105,112,609 as the Company expanded its fleet to 16 vessels by acquiring three Supramax class vessel, KESTREL I, TERN and JAEGER. Net cash used in investing activities during the corresponding period from inception on January 26, 2005 to September 30, 2005 was \$373,554,183 as the Company acquired its initial eleven vessels and placed deposits for two additional vessels.

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Net cash provided by financing activities during the nine-month period ended September 30, 2006, was \$51,676,257 which primarily consisted of \$33,000,000 in gross proceeds from a private placement of its common stock, borrowings of \$74,800,000 from its revolving credit facility, and payments of \$53,420,500 in dividends. Net cash provided by financing activities during the corresponding period from inception on January 26, 2005 to September 30, 2005 was \$376,369,845 primarily consisting of net proceeds of \$186,529,290 from the initial public offering, capital contributions of \$40,843,662 and net borrowings of \$157,000,000 from its credit facilities.

As of September 30, 2006, our cash balance was \$23,213,588 compared to a cash balance of \$24,526,528 at December 31, 2005. In addition, \$6,400,000 in cash deposits are maintained with our lender for loan compliance purposes and this amount is recorded in Restricted Cash in our financial statements as of September 30, 2006 and December 31, 2005. Also recorded in Restricted Cash is an amount of \$124,616 which is collateralizing a letter of credit relating to our office lease.

In July 2006, we amended and increased our \$330,000,000 long-term revolving credit facility which we had entered into in July 2005. Our revised facility consists of \$450,000,000 of which \$235,200,000 was unused as of September 30, 2006. The amended revolving credit agreement also provides us with the ability to borrow up to \$15,000,000 for working capital purposes.



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(See section entitled "Revolving Credit Facility" for a description of the revised facility and subsequent changes to the credit facility).

We anticipate that our current financial resources, together with cash generated from operations and, if necessary, borrowings under our revolving 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 revolving 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.

### 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 drydocking and working capital.

Our revolving credit facility permits us to pay quarterly dividends in amounts up to our quarterly earnings before extraordinary or exceptional items, interest, taxes, depreciation and amortization (Credit Agreement 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 for the period, 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. 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.

On July 18, 2006 the Company's Board of Directors declared a cash dividend for the second quarter of 2006 of \$0.50 per share, based on 35,900,000 shares of common stock outstanding, which was paid on August 3, 2006 to all shareholders of record as of July 28, 2006. The aggregate amount of this cash dividend was \$17,950,000.

On October 18, 2006 the Company's Board of Directors declared a cash dividend for the third quarter of 2006 of \$0.51 per share, based on 35,900,000 shares of common stock outstanding, payable on November 2, 2006 to all shareholders of record as of October 30, 2006. The aggregate amount of the cash dividend paid to the Company's shareholders on November 2, 2006 was \$18,309,000.

### Revolving Credit Facility

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In July 2006, the Company amended and increased its initial \$330,000,000 long-term revolving credit facility which we had entered into in July 2005. (The Company's Financial Statements for the year ended December 31, 2005 on Form 10-K includes a more detailed description of the initial revolving credit facility). During the nine-month period ended September 30, 2006, the Company borrowed a total of \$74,800,000 from its initial revolving credit facility which was used to partly fund the acquisition of the KESTREL I, TERN and

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JAEGER. Following the completion of these acquisitions the Company's borrowings under the revolving credit facility stood at \$214,800,000.

Subsequent to the acquisition of the three vessels, in July 2006, the initial revolving credit facility was amended and increased to \$450,000,000 with a new term of ten years. The entire \$450,000,000 facility will be available for a period of six years from July 30, 2006, compared to four years remaining in the commitment period of the Company's initial facility. There are no principal repayment obligations during this initial six-year period. Over the remaining four years until maturity in July 2016, the facility will reduce in semi-annual amounts of \$25,000,000 with a final reduction of \$250,000,000 occurring simultaneously with the last semi-annual reduction. We paid an arrangement fee of \$900,000 to our lender in connection with the amended credit facility.

As a result of the amendment to the facility, at September 30, 2006, the Company had increased its remaining undrawn capacity to \$235,200,000 which is available to fund future acquisitions of dry bulk vessels.

We are permitted to borrow up to \$15,000,000 (increased from \$10,000,000 under its existing facility) 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 is subject to review and reapproval on an annual basis.

The amended facility will bear interest at the rate of 0.75% to 0.85% over LIBOR (decreased from 0.95% over LIBOR under its initial facility), depending upon the amount of debt drawn as a percentage of the value of the Company's vessels. The Company will pay a commitment fee of 0.25% per annum (decreased from 0.40% under its initial facility) on the undrawn amount of the amended facility.

Our ability to borrow amounts under the amended revolving credit facility will be subject to the 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 75% of the value of the vessels securing our obligations under the credit facility. Our ability to borrow such amounts, in each case, is 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 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. We may grant additional securities from time to time in the future.

The revolving credit facility, as amended, contains financial covenants requiring us, among other things, to ensure that:

- o the aggregate market value of the vessels in our fleet that secure our obligations under the revolving credit facility, as determined by an independent shipbroker on a charter free basis, at all times exceeds 125% 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;
- o to the extent our debt during any accounting period is less than

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\$250,000,000, our total assets minus our debt will not be less than \$100,000,000; to the extent our debt during any accounting period is greater than \$250,000,000, our total assets minus our debt will not be less than \$150,000,000;

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- o our EBITDA, as defined in the credit agreement, 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
- o we maintain with the lender \$400,000 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 revolving credit facility, our "total assets" includes 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 facility are measured by their fair market value rather than their carrying value on our consolidated balance sheet.

The revolving credit facility permits us to pay dividends in amounts up to our earnings before extraordinary or exceptional items, interest, taxes, depreciation and amortization (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 dry-docking, 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.

On November 6, 2006, the Company amended its existing revolving credit facility from its sole lender, Royal Bank of Scotland plc to increase the borrowing capacity from \$450 million to \$500 million. The structure of the financing will enable us to capitalize pre-delivery payments under our vessel newbuilding contracts and costs associated with supervision and financing the new vessels.

There are no principal repayment obligations under the amended facility until July 2012. Over the remaining four years until maturity in 2016, the facility will reduce in semi-annual amounts of \$28,750,000 with a final reduction of \$270,000,000 occurring simultaneously with the last semi-annual reduction. All other terms and conditions of the amended facility remain the same as the existing facility. We paid an arrangement fee of \$250,000 to our lender in connection with the amended credit facility.

### Contractual Obligations

The following table sets forth our expected contractual obligations and their maturity dates as of September 30, 2006:

Within One Year -----	One to Three Years -----	Three to Five Years -----	More than Five years -----
(in thousands of U.S. dollars)			

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Bank Loans	--	--	--	214,800
Interest and borrowing fees ((1))	12,394	24,823	24,789	46,487
Office lease	250	501	376	--
Total	\$12,645	\$25,324	\$25,164	\$261,287

(1) The Company is a party to floating-to-fixed interest rate swaps covering notional amounts of \$100,000,000, \$30,000,000, and \$84,800,000 at September 30, 2006 that effectively convert the Company's interest rate exposure from a floating rate based on LIBOR to a fixed rate of 4.22%, 4.54% and 5.24% respectively, plus applicable margin.

Capital Expenditures

Our capital expenditures relate to purchase of vessels and capital improvements to our vessels which are expected to enhance the revenue earning capabilities of these vessels. In addition to acquisitions that we may undertake in future periods, other major capital expenditures include funding the Company's maintenance program of regularly scheduled drydocking necessary to preserve the quality of our vessels as well as to comply with international

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shipping standards and environmental laws and regulations. Although the Company has some flexibility regarding the timing of its dry docking, the costs are relatively predictable. Management anticipates that vessels are to be drydocked every two and a half years. Funding of these requirements is anticipated to be met with cash from operations. We anticipate that this process of recertification will require us to reposition these vessels from a discharge port to shipyard facilities, which will reduce our available days and operating days during that period.

During the three-month period ended September 30, 2006, we drydocked two vessels. In the nine-month period ended September 30, 2006, we have spent \$2,269,422 on vessel drydockings and this amount is amortized to expense on a straight-line basis over the period through the date the next drydocking for those vessels are scheduled to occur. The following table represents certain information about the estimated costs for anticipated vessel drydockings in the remainder of 2006 and calendar 2007 along with the anticipated off-hire days:

Quarter Ending	Off-hire Days(1)	Projected Costs(2)
December 31, 2006.....	--	--
March 31, 2007.....	30	\$0.70 million
June 30, 2007.....	15	\$0.35 million
September 30, 2007.....	30	\$0.70 million
December 31, 2007.....	30	\$0.70 million

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- (1) Actual duration of drydocking will vary based on the condition of the vessel, yard schedules and other factors.
- (2) Actual costs will vary based on various factors, including where the drydockings are actually performed.

### Contracted Time Charter Revenue

We have time charter contracts currently for all our vessels. The contracted time charter revenue schedule, as shown below, reduces future contracted revenue for any estimated off-hire days relating to dry-docks.

The following table represents certain information about the Company's revenue earning charters:

Vessel	Delivered to Charterer	Time Charter Expiration (1)	Daily Time Charter Hire Rate
Cardinal	April 19, 2005	March 2007 to June 2007	\$26,500
Condor (2)	April 30, 2005	November 2006 to March 2007	\$24,000
Falcon	April 22, 2005	February 2008 to June 2008	\$20,950
Griffon (3)	February 17, 2006	January 2007 to February 2007	\$13,550
Harrier	April 21, 2005	March 2007 to June 2007	\$23,750
Hawk I (4)	April 28, 2005	April 2007	\$23,750
Heron	December 11, 2005	December 2007 to February 2008	\$24,000
Jaeger	July 7, 2006	April 2007 to June 2007	\$18,550
Kestrel I (5)	July 1, 2006	December 2007 to April 2008	\$18,750
Kite	April 17, 2006	March 2007 to May 2007	\$14,750
Merlin	October 26, 2005	October 2007 to December 2007	\$24,000
Osprey I (6)	September 1, 2005	May 2008 to September 2008	\$21,000
Peregrine (7)	July 1, 2005	October 2006 to January 2007	\$24,000
Shikra (8)	September 10, 2006	September 2007 to December 2007	\$14,800
Sparrow (9)	July 20, 2005	November 2006 to Feb 2007	\$22,500
Tern (10)	July 3, 2006	December 2007 to April 2008	\$19,000

- (1) The date range provided represents the earliest and latest date on which the charterer may redeliver the vessel to the Company upon the termination of the charter.
- (2) Upon completion of the current charter the CONDOR will enter a new time charter at \$20,500 per day for 26 to 29 months.

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- (3) Upon completion of the current charter the GRIFFON will enter a new time charter at \$20,075 per day for 24 to 26 months.
- (4) The charter for the HAWK I has been renewed at \$22,000 per day commencing

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in April 2007 for 24 to 26 months.

- (5) The charterer of the KESTREL I has an option to extend the charter period by 11 to 13 months at a daily time charter rate of \$20,000 per day.
  - (6) The charterer of the OSPREY I has an option to extend the charter period by up to 26 months at a daily time charter rate of \$25,000.
  - (7) Upon conclusion of the current charter, the PEREGRINE commences a new time charter at \$20,500 per day for 24 to 26 months.
  - (8) Upon conclusion of the current charter in September 2006 the SHIKRA commenced a new time charter at \$14,800 per day for 12 to 15 months.
  - (9) Upon completion of the current charter the SPARROW will enter a new time charter at a base rate of \$24,000 per day for 11 to 13 months with a profit share of 30% of upto the first \$3,000 per day over the base rate
  - (10) The charterer of the TERN has an option to extend the charter period by 11 to 13 months at a daily time charter rate of \$20,500 per day.
- 

### Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

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### Item 3. Quantitative and Qualitative Disclosures about Market Risk

#### Interest Rate Risk

There have been no material changes from the "Interest Rate Risk" previously disclosed in our Form 10-K for the year ended December 31, 2005.

#### Currency and Exchange Rates

The shipping industry's functional currency is the U.S. dollar. The Company generates all of its revenues in U.S. dollars. The majority of the Company's operating expenses and the entirety of its management expenses are in U.S. dollars. The Company does not intend to use financial derivatives to mitigate the risk of exchange rate fluctuations for its revenues and expenses.

Subsequent to September 30, 2006, the Company has entered into foreign exchange swap transactions to hedge the Japanese yen exposure into US dollars for the purchase price in Japanese yen of two new-build vessels which are expected to be delivered to the Company in January 2010 and February 2010. The Company has swapped a total of 7,310,000,000 in yen currency exposure into equivalent US \$67,108,583.

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### Item 4. Controls and Procedures

#### Disclosure Controls and Procedures

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Our management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits to the SEC under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

### Internal Control Over Financial Reporting

We evaluated our internal control over financial reporting, (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934), and there have been no changes in our internal control over financial reporting that occurred during the second quarter of 2006 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II: OTHER INFORMATION

### Item 1 - Legal Proceedings

We are not aware of any legal proceedings or claims to which we or our subsidiaries are party or of which our property is subject. From time to time in the future, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. Those claims, even if lacking merit, could result in the expenditure by us of significant financial and managerial resources.

### Item 1A - Risk Factors

There have been no material changes from the "Risk Factors" previously disclosed in our Form 10-K for the year ended December 31, 2005.

### Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

On March 17, 2006, the Company granted 56,666 shares of the Company's stock in options to its independent non-employee directors. These options vested and became exercisable on the grant date at an exercise price of \$13.23 per share. All options expire ten years from the date of grant.

On June 28, 2006, the Company issued an aggregate of 2,750,000 shares of its common stock, par value \$0.01, to certain institutional investors pursuant to a securities purchase agreement dated June 22, 2006, for an aggregate purchase price of \$33,000,000, or \$12.00 per share of common stock. The shares of common stock were sold pursuant to an exemption from registration afforded by Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder.

The offering incurred costs of \$1,770,811 in fees and expenses and the balance of the proceeds was used to fund a portion of the acquisition of three vessels, KESTREL I, TERN and JAEGER.

### Item 3 - Defaults upon Senior Securities

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None

### Item 4 - Submission of Matters to a Vote of Security Holders

None

### Item 5 - Other Information

On September 12, 2006 the Company's principal shareholder, Eagle Ventures LLC, sold 2,300,000 shares from its holdings of the Company's common stock in a private placement. The Company did not receive any proceeds from this secondary sale. The sale incurred costs of \$198,200.

On November 9, 2006, the limited liability company agreement of Eagle Ventures LLC was amended and restated (the "Fifth LLC Agreement") and is included as Exhibit 10.7 to this quarterly report. Pursuant to the Fifth LLC Agreement, the unvested portion of the performance-related profits interests that previously vested ratably based on Kelso affiliates achieving a multiple (ranging from two to four times) on their original investment in the Company will now vest ratably based on Kelso affiliates achieving a multiple (ranging from two to 3.25 times) on their original investment in the Company. In addition, a first priority catch-up payment was added so that certain members of Eagle Ventures receive a first priority distribution from Eagle Ventures, prior to other distributions to members of Eagle Ventures, in an aggregate amount of approximately \$100,000, in order to adjust for the interest payments received by Eagle Ventures on loans made by Eagle Ventures to the Company prior to its initial public offering. Furthermore, all of the service-related profits interests that are subject to a three-year vesting schedule are now considered fully vested

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for purposes of determining participation in distributions from Eagle Ventures but these service-related profits interests will remain forfeitable, if applicable, by the management members (in accordance with the existing three-year vesting schedule) upon their termination of employment with Eagle Ventures LLC or its subsidiaries (including the Company). Finally, a second priority catch-up payment was added so that management members receive a second priority distribution from Eagle Ventures, prior to other distributions to members of Eagle Ventures (other than the first priority catch-up payment described above), in an aggregate amount of approximately \$740,000, as a catch-up in respect of such newly vested service-related profits interests.

### Item 6 - Exhibits

#### EXHIBIT INDEX

- 3.1 Amended and Restated Articles of Incorporation of the Company\*
- 3.2 Amended and Restated Bylaws of the Company\*
- 4.1 Form of Share Certificate of the Company\*
- 10.1 Form of Registration Rights Agreement\*
- 10.2 Form of Management Agreement\*



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- 10.3 Form of Amended and Restated Credit Agreement\*\*
- 10.3.1 Form of Second Amended and Restated Credit Agreement
- 10.4 Eagle Bulk Shipping Inc. 2005 Stock Incentive Plan\*
- 10.5 Employment Agreement for Mr. Sophocles N. Zoullas\*
- 10.6 Form of Fourth Amended and Restated Limited Liability Company Agreement of Eagle Ventures LLC\*\*\*
- 10.7 Form of Fifth Amended and Restated Limited Liability Company Agreement of Eagle Ventures LLC
- 31.1 Rule 13a-14(d) / 15d-14(a)\_Certification of CEO
- 31.2 Rule 13a-14(d) / 15d-14(a)\_Certification of CFO
- 32.1 Section 1350 Certification of CEO
- 32.2 Section 1350 Certification of CFO

\* Incorporated by reference to the Registration Statement on Form S-1, Registration No. 333-123817.

\*\* Incorporated by reference to the Report on Form 8-K filed on July 31, 2006.

\*\*\* Incorporated by reference to the Registrant's annual report on Form 10-K for the period ending December 31, 2005 filed on March 14, 2006.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EAGLE BULK SHIPPING INC.

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(REGISTRANT)

Date: November 9, 2006  
By: /s/ Sophocles N. Zoullas

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Sophocles N. Zoullas  
Chairman of the Board and  
Chief Executive Officer

Date: November 9, 2006  
By: /s/ Alan S. Ginsberg

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Alan S. Ginsberg  
Chief Financial Officer

and Treasurer

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Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Sophocles Zoullas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Eagle Bulk Shipping Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's

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board of directors (or persons performing the equivalent function):

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2006

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/s/ Sophocles Zoullas  
Sophocles Zoullas  
Chief Executive Officer

Exhibit 31.2

### CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Alan Ginsberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Eagle Bulk Shipping Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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- c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2006

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/s/ Alan Ginsberg  
Alan Ginsberg  
Chief Financial Officer

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Exhibit 32.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the quarterly report of Eagle Bulk Shipping Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2006, as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Sophocles Zoullas, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the

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Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: November 13, 2006

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/s/ Sophocles Zoullas  
Sophocles Zoullas  
Chief Executive Officer

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Exhibit 32.2

PRINCIPAL FINANCIAL OFFICER CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the quarterly report of Eagle Bulk Shipping Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2006, as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Alan Ginsberg, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: November 13, 2006

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/s/ Alan Ginsberg  
Alan Ginsberg  
Chief Financial Officer

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