

Eagle Bulk Shipping Inc.  
Form PRER14A  
July 05, 2016  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

EAGLE BULK SHIPPING INC.

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

**Eagle Bulk Shipping Inc.**

**300 First Stamford Place, 5<sup>th</sup> Floor**

**Stamford, Connecticut 06902**

**(203) 276-8100**

, 2016

Dear Shareholder:

You are cordially invited to attend a Special Meeting of Shareholders of Eagle Bulk Shipping Inc., which will be held at the offices of Akin Gump Strauss Hauer & Feld LLP, 44th Floor, One Bryant Park, New York, New York 10036 at 10:00 a.m., local time, on , 2016 (the “*Special Meeting*”). On the following pages you will find the formal Notice of Special Meeting of Shareholders and proxy statement.

The actions expected to be taken at the Special Meeting are described in detail in the accompanying Notice of Special Meeting of Shareholders and proxy statement.

Whether or not you plan to attend the Special Meeting in person, it is important that your shares be represented and voted at the Special Meeting. Accordingly, please sign, date and mail the enclosed proxy card as soon as possible in the envelope provided or vote using the toll-free telephone number or via the Internet by following the instructions included on the enclosed proxy card. If you decide to attend the Special Meeting in person, you will be able to vote in person, even if you have previously submitted a proxy.

I hope that you will attend the Special Meeting, and I look forward to seeing you there.

Sincerely,

/s/ Paul M. Leand, Jr.  
Paul M. Leand, Jr.  
Chairman of the Board

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**Eagle Bulk Shipping Inc.**

**300 First Stamford Place, 5<sup>th</sup> Floor**

**Stamford, Connecticut 06902**

**(203) 276-8100**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON      , 2016**

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders (the “*Special Meeting*”) of Eagle Bulk Shipping Inc., a Republic of the Marshall Islands corporation (“*Eagle Bulk Shipping*,” the “*Company*,” “*we*,” “*us*,” or “*our*”), will be held on      , 2016, at 10:00 a.m., local time, at the offices of Akin Gump Strauss Hauer & Feld LLP, 44th Floor, One Bryant Park, New York, New York 10036, for the following purposes:

To ratify, for purposes of complying with The NASDAQ Stock Market LLC (“*NASDAQ*”) Listing Rule 5635(d), the issuance of shares of our common stock, par value US\$0.01 per share (“*Common Stock*”), in connection with the entry into a Second Lien Loan Agreement (the “*Second Lien Loan Agreement*”), dated as of March 30, 2016, by and among Eagle Shipping LLC, a limited liability company organized under the laws of the Republic of the Marshall Islands and a wholly-owned subsidiary of the Company (“*Eagle Shipping*”), as borrower, certain of its subsidiaries, as guarantors, certain lenders thereunder (the “*Second Lien Lenders*”) and Wilmington Savings Fund Society, FSB as agent for the Second Lien Lenders (the “*Agent*”), in an amount equal to 20% or more of our Common Stock outstanding before the issuance of such shares;

To ratify, for purposes of complying with NASDAQ Listing Rule 5635(c), the issuance of shares of our Common Stock, in connection with the entry into the Second Lien Loan Agreement, to certain directors and officers of the Company;

3.

To approve an amendment to Article FOURTH of the Company's Second Amended and Restated Articles of Incorporation (the "**Articles of Incorporation**") to increase the number of authorized shares of Common Stock from 150,000,000 to 700,000,000;

4. To approve an amendment to Article FOURTH of the Articles of Incorporation to effect a reverse stock split of the Company's issued and outstanding shares of Common Stock by a ratio of between 1-for-10 and 1-for-50, inclusive;

5. To approve, for purposes of complying with NASDAQ Listing Rule 5635(d), the issuance of shares of our Common Stock, in connection with the entry into a Common Stock Purchase Agreement (the "**Common Stock Purchase Agreement**"), dated as of July 1, 2016, by and among the Company and the purchasers party thereto, in an amount equal to 20% or more of our Common Stock outstanding before the issuance of such shares;
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To approve, for purposes of complying with NASDAQ Listing Rule 5635(c), the issuance of shares of our 6. Common Stock, in connection with the entry into the Common Stock Purchase Agreement, to certain directors and officers of the Company;

7. To approve an amendment to Article FOURTH of the Articles of Incorporation to authorize 25,000,000 shares of our preferred stock, par value US\$0.01 per share (“*Preferred Stock*”); and

To approve one or more adjournments to the Special Meeting, if necessary or appropriate, to establish a quorum or 8. to permit further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting cast in favor of Proposals No. 1, No. 2, No. 3, No. 4, No. 5, No. 6 or No. 7.

The Board of Directors has fixed the close of business on \_\_\_\_\_, 2016 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Special Meeting (the “*Record Date*”). Only shareholders of record as of the Record Date will be entitled to vote at the Special Meeting or any adjournments or postponements thereof. A list of such shareholders will be available at the Special Meeting.

#### **Important Notice Regarding the Availability of Proxy Materials for the**

#### **Special Meeting to be Held on \_\_\_\_\_, 2016:**

Pursuant to the proxy rules of the Securities and Exchange Commission (the “*SEC*”), the Company is required to post its proxy materials on the Internet, and we are permitted to provide only a Notice of Internet Availability of Proxy Materials to shareholders. However, for this Special Meeting, we have chosen to follow the SEC’s “full set” delivery option, and therefore, although we are posting a full set of our proxy materials on the Internet, we are also sending a full set of our proxy materials to our shareholders by mail.

**The proxy statement for the Special Meeting, together with the accompanying form of proxy, are available on the Internet at [www.proxyvote.com](http://www.proxyvote.com).**

Whether or not you expect to attend the Special Meeting in person, and no matter how many shares you own, please vote your shares as promptly as possible. Submitting a proxy now will help assure a quorum.





If you plan to attend in person, please arrive at least 30 minutes before the meeting begins in order to check in with security, where you will be asked to present valid picture identification, such as a driver's license or passport.

By Order of the Board of Directors,

/s/ Adir Katzav  
Adir Katzav  
Chief Financial Officer and  
Secretary

Stamford, Connecticut

, 2016

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**Eagle Bulk Shipping Inc.**

**300 First Stamford Place, 5<sup>th</sup> Floor**

**Stamford, Connecticut 06902**

**(203) 276-8100**

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**PROXY STATEMENT**

**FOR THE SPECIAL MEETING OF SHAREHOLDERS**

**TO BE HELD     , 2016**

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This proxy statement is furnished to shareholders of Eagle Bulk Shipping Inc. (“***Eagle Bulk Shipping***,” the “***Company***,” “***we***,” “***us***,” or “***our***”) in connection with the solicitation of proxies, in the accompanying form, by the Board of Directors of Eagle Bulk Shipping (the “***Board of Directors***”) for use in voting at the Special Meeting of Shareholders (the “***Special Meeting***”) to be held at the offices of Akin Gump Strauss Hauer & Feld LLP, 44th Floor, One Bryant Park, New York, New York 10036, on     , 2016, at 10:00 a.m., local time, and at any adjournment or postponement thereof. If you plan to attend in person, please arrive at least 30 minutes before the meeting begins in order to check in with security, where you will be asked to present valid picture identification such as a driver’s license or passport.

This proxy statement for the Special Meeting, together with the accompanying form of proxy, are first being mailed or otherwise distributed to shareholders on or about     , 2016.

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**TABLE OF CONTENTS**

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING	1
CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS	10
PROPOSAL NO. 1	11
General	11
Purpose and Background for Shareholder Approval	12
Potential Effects of Approving Proposal No. 1	12
Amended and Restated Registration Rights Agreement	12
Voting Agreements with the Company	13
Vote Required	13
Recommendation of the Board of Directors	13
PROPOSAL NO. 2	14
General	14
Purpose and Background for Shareholder Approval	14
Interests of the Company's Directors and Executive Officers in the Proposal	15
Potential Effects of Approving Proposal No. 2	15
Voting Agreements with the Company	15
Vote Required	15
Recommendation of the Board of Directors	15
PROPOSAL NO. 3	16
General	16
Purpose and Background for Shareholder Approval	16
The Authorized Share Increase Amendment	17
Effective Date	17
Potential Effects of Approving Proposal No. 3	17
Potential Anti-Takeover Implications of the Share Capital Increase	18
Other Provisions that may affect the Acquisition of Control of the Company	18
No Appraisal Rights	19
Voting Agreements with the Company	19
Vote Required	19
Recommendation of the Board of Directors	19
PROPOSAL NO. 4	20
General	20

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Purpose and Background for Shareholder Approval	21
The Reverse Stock Split Amendment	22
Effective Date	22
Potential Effects of Approving Proposal No. 4	23
Potential Anti-Takeover Implications of the Reverse Stock Split	25
Effect on Beneficial Holders of Common Stock	25
Effect on Registered “Book-Entry” Holders of Common Stock	25

Fractional Shares	26
Accounting Consequences	26
Material U.S. Federal Income Tax Consequences of the Reverse Stock Split	27
Tax Consequences of the Reverse Stock Split to U.S. Holders	28
Impact of Potential Reverse Stock Split Upon Other Data Contained in this Proxy Statement	31
No Appraisal Rights	31
Voting Agreements with the Company	31
Vote Required	32
Recommendation of the Board of Directors	32
 PROPOSAL NO. 5	 33
General	33
Purpose and Background for Shareholder Approval	33
Potential Effects of Approving Proposal No. 5	34
Voting Agreements with the Company	34
Vote Required	34
Recommendation of the Board of Directors	34
 PROPOSAL NO. 6	 35
General	35
Purpose and Background for Shareholder Approval	35
Interests of the Company’s Directors and Executive Officers in the Proposal	35
Potential Effects of Approving Proposal No. 6	36
Voting Agreements with the Company	36
Vote Required	36
Recommendation of the Board of Directors	37
 PROPOSAL NO. 7	 38
General	38
Purpose and Background for Shareholder Approval	38
The Authorized Preferred Share Amendment	39
Effective Date	39
Potential Effects of Approving Proposal No. 7	39
Potential Anti-Takeover Implications of the Preferred Share Authorization	40
Other Provisions that may affect the Acquisition of Control of the Company	40
No Appraisal Rights	41
Voting Agreements with the Company	41
Vote Required	41
Recommendation of the Board of Directors	41
 PROPOSAL NO. 8	 42
General	42
Vote Required	42
Recommendation of the Board of Directors	42



Ownership of Common Stock	44
Section 16(a) Beneficial Ownership Reporting Compliance	46
EXECUTIVE COMPENSATION	47
IMPORTANT NOTICE REGARDING DELIVERY OF SHAREHOLDER DOCUMENTS	58
OTHER MATTERS	58



## QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

### *Why did I receive a full set of proxy materials?*

Pursuant to rules promulgated by the Securities and Exchange Commission (the “**SEC**”), we have chosen to follow the “full set” delivery option to disseminate our proxy materials, and therefore, although we are posting a full set of our proxy materials on the Internet, we are also sending a full set of our proxy materials, including a proxy card, to our shareholders by mail.

### *Why am I receiving these proxy materials?*

Our Board of Directors has sent you this proxy statement and the enclosed proxy card because you owned shares of the Company’s common stock, par value US\$0.01 per share (“**Common Stock**”), as of the close of business on \_\_\_\_\_, 2016, the record date for the determination of shareholders entitled to notice of, and to vote at, the Special Meeting (the “**Record Date**”). Your proxy is being solicited by our Board of Directors for use at the Special Meeting. You are invited to attend the Special Meeting and are requested to vote on the proposals described in this proxy statement. However, you do not need to attend the Special Meeting in person to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card, as described below. If you vote by telephone or over the Internet, you do not need to mail back your proxy card.

### *What is included in these proxy materials?*

These materials include:

this proxy statement for the Special Meeting; and

the proxy card for the Special Meeting.

### *Can I find additional information on the Company’s website?*

Yes. Our website is [www.eagleships.com](http://www.eagleships.com). Although the information contained on our website is not part of this proxy statement, you can view additional information on the website, such as our Second Amended and Restated Articles of Incorporation (the “**Articles of Incorporation**”) and Second Amended and Restated By-Laws (the “**By-laws**”). The Company also makes available on its website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. You may read and copy any document we file with the SEC at the SEC's public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the public reference facilities. Our SEC filings are also available to the public at the SEC's web site at [www.sec.gov](http://www.sec.gov). The information on our website is not incorporated by reference into this proxy statement.

***What is the purpose of the Special Meeting?***

At the Special Meeting, shareholders will be asked to consider and vote upon the following matters:

To ratify, for purposes of complying with The NASDAQ Stock Market LLC (“**NASDAQ**”) Listing Rule 5635(d), the issuance of shares of our Common Stock, in connection with the entry into a Second Lien Loan Agreement (the “**Second Lien Loan Agreement**”), dated as of March 30, 2016, by and among Eagle Shipping LLC, a limited liability company organized under the laws of the Republic of the Marshall Islands and a wholly-owned subsidiary of the Company (“**Eagle Shipping**”), as borrower, certain of its subsidiaries, as guarantors, certain lenders thereunder (the “**Second Lien Lenders**”) and Wilmington Savings Fund Society, FSB as agent for the Second Lien Lenders (the “**Agent**”), in an amount equal to 20% or more of our Common Stock outstanding before the issuance of such shares (“**Proposal No. 1**”);

To ratify, for purposes of complying with NASDAQ Listing Rule 5635(c), the issuance of shares of our Common Stock, in connection with the entry into the Second Lien Loan Agreement, to certain directors and officers of the Company (“**Proposal No. 2**”);

To approve an amendment to Article FOURTH of the Articles of Incorporation to increase the number of authorized shares of Common Stock from 150,000,000 to 700,000,000 (“**Proposal No. 3**”);

To approve an amendment to Article FOURTH of the Articles of Incorporation to effect a reverse stock split of the Company’s issued and outstanding shares of Common Stock by a ratio of between 1-for-10 and 1-for-50, inclusive (“**Proposal No. 4**”);

To approve, for purposes of complying with NASDAQ Listing Rule 5635(d), the issuance of shares of our Common Stock, in connection with the entry into a Common Stock Purchase Agreement (the “**Common Stock Purchase Agreement**”), dated as of July 1, 2016, by and among the Company and the purchasers party thereto, in an amount equal to 20% or more of our Common Stock outstanding before the issuance of such shares (“**Proposal No. 5**”);

To approve, for purposes of complying with NASDAQ Listing Rule 5635(c), the issuance of shares of our Common Stock, in connection with the entry into the Common Stock Purchase Agreement, to certain directors and officers of the Company (“**Proposal No. 6**”);

To approve an amendment to Article FOURTH of the Articles of Incorporation to authorize 25,000,000 shares of our preferred stock, par value US\$0.01 per share (“**Preferred Stock**”) (“**Proposal No. 7**”); and

To approve one or more adjournments to the Special Meeting, if necessary or appropriate, to establish a quorum or to permit further solicitation of proxies if there are not sufficient votes at the time of the Special Meeting cast in favor of Proposals No. 1, No. 2, No. 3, No. 4, No. 5, No. 6 or No. 7 (“**Proposal No. 8**”).

The Board of Directors is seeking shareholder approval of Proposals No. 1, No. 2, No. 3 and No. 4, in part, so that the Company may comply with its obligations under the Second Lien Loan Agreement. The Board of Directors is also seeking shareholder approval of Proposal No. 4, in part, so that the Company may comply with the NASDAQ Minimum Bid Rule (as defined below). If Proposals No. 1, No. 2, No. 3 and No. 4 are approved, the Company will first implement Proposal No. 3 to increase the number of authorized shares of Common Stock, then deliver the shares of Common Stock under the Second Lien Loan Agreement for which approval is being sought under Proposals No. 1 and No. 2, and finally effect a reverse stock split under Proposal No. 4. The shares of Common Stock issued under the Second Lien Loan Agreement requiring shareholder approval of Proposals No. 1, No. 2 and No. 3 will represent up to approximately 90% of the Company’s outstanding Common Stock after such issuance.



The Board of Directors is seeking shareholder approval of Proposals No. 3, No. 4, No. 5 and No. 6, in part, so that the Company may comply with its obligations under the Common Stock Purchase Agreement. If Proposals No. 3, No. 4, No. 5 and No. 6 are approved, the Company will first implement Proposal No. 3 to increase the number of authorized shares of Common Stock, then effect a reverse stock split under Proposal No. 4, and finally issue and deliver the shares of Common Stock under the Common Stock Purchase Agreement for which approval is being sought under Proposals No. 5 and No. 6. If Proposals No. 3, No. 4, No. 5 and No. 6 are approved, and assuming the approval of Proposals No. 1 and No. 2 and the delivery of the 2L Shares, the shares of Common Stock issued under the Common Stock Purchase Agreement will represent approximately 60.1% of the Company's outstanding Common Stock after such issuance, which will have the effect of significantly diluting our existing shareholders.

Finally, the Board of Directors of is seeking shareholder approval of Proposal No. 7, in part, to comply with the Company's obligations under the Preferred Stock Purchase Agreement (as defined below).

*How will the approval of the proposals in this proxy statement and the consummation thereof affect the Company's issued and outstanding shares of Common Stock and my ownership of the Company's voting securities?*

The following table shows the Company's issued and outstanding shares of Common Stock after giving effect to each of the following proposals cumulatively, assuming the approval by the shareholders of Proposal No. 3 to increase the amount of authorized shares of Common Stock to 700,000,000. The information in the following table also assumes that that shares of Common Stock that were available for issuance to any incremental lenders under the Second Lien Loan Agreement are not issued, as described under Proposal No. 1.

	<b>As of April 29, 2016</b>	<b>Proposal No. 1  Additional Share Issuance</b>	<b>Proposal No. 2  Director and Officer Issuance</b>	<b>Proposal No. 4  Reverse Stock Split assuming an exchange ratio of 1-for-50</b>	<b>Proposal No. 5  Issuance of Private Placement Common Shares</b>	<b>Proposal No. 6  Director and Officer Private Placement Issuance</b>	
Shares of Common Stock issued pursuant to proposal	N/A	328,401,959	1,969,072	N/A	11,306,667	26,666	
Shares of Common Stock issued and outstanding	45,713,023 (1)	374,114,982	376,084,054	7,521,681	18,828,348	18,855,014	
Shares of Common Stock authorized	150,000,000	700,000,000	700,000,000	700,000,000	700,000,000	700,000,000	
Shares of Common Stock authorized but unissued	104,286,977	325,885,018	323,915,946	692,478,319	681,171,652	681,144,986	
Effect on a hypothetical shareholder holding 10,000 shares of Common Stock giving effect to proposal	10,000	10,000	10,000	200	200	200	
Percentage of ownership by directors,	79.5	% 96.9	% 97.4	% 97.4	% 71.3	% 71.5	%

officers and  
holders of  
Common Stock  
beneficially  
owning more  
than 5% of our  
Common Stock  
giving effect to  
proposal

This amount gives effect to the issuance and delivery of 7,425,519 shares of Common Stock in the Initial Share  
(1) Issuance (as defined below) and is based on the total number of shares of Common Stock outstanding as of April  
29, 2016.

Does not take into account shares of Common Stock reserved for the exercise of 1,377,337 stock options and the  
(2) conversion of 3,045,327 warrants or the implementation of the anti-dilution provisions of the 2014 Eagle Bulk  
Shipping Inc. Equity Incentive Plan and the Warrant Agreement, dated as of October 15, 2014, between Eagle  
Bulk Shipping Inc. and Computershare Inc., as warrant agent.

***Who is entitled to vote at the Special Meeting?***

Only shareholders of record as of the Record Date will be entitled to vote at the Special Meeting or any adjournments or postponements thereof. As of the Record Date, Eagle Bulk Shipping had [ ] shares of Common Stock issued and outstanding and entitled to vote. In compliance with interpretations of NASDAQ Listing Rule 5635, this amount does not include any of the 2L Shares (as defined below) issued to the Second Lien Lenders under the Second Lien Loan Agreement or any other securities of the Company or shares of Common Stock that are proposed to be issued to the investors (the “**Common Stock Purchasers**”) under the Common Stock Purchase Agreement.

***How many votes do I have?***

Each share of Common Stock outstanding on the Record Date, except for the 2L Shares (as defined below), will be entitled to one vote on each matter submitted to a vote of the shareholders. Cumulative voting by shareholders is not permitted.

***What are the Board of Directors’ voting recommendations?***

The Board of Directors recommends that you vote:

(1) “**FOR**” Proposal No. 1;

(2) “**FOR**” Proposal No. 2;

(3) “**FOR**” Proposal No. 3;

(4) “**FOR**” Proposal No. 4;

(5) “**FOR**” Proposal No. 5;



(6) “**FOR**” Proposal No. 6;

(7) “**FOR**” Proposal No. 7;

(8) “**FOR**” Proposal No. 8; if necessary or appropriate.

*How can I vote my shares?*

You can vote either in person at the Special Meeting or by proxy whether or not you attend the Special Meeting. You can vote by proxy as follows:

**by mail** – If you are a shareholder of record, you may submit your proxy by dating and signing the proxy card that is included in the paper proxy materials that was first mailed to you on , 2016 and mailing it in the enclosed, postage paid envelope or, if you are a beneficial owner of shares held in “street name,” you may submit your proxy by filling out the voting instruction form provided by your broker, trustee or other nominee, and mailing it in the enclosed, postage paid envelope. Votes submitted by written proxy must be received by 5:00 p.m. local time on the day before the Special Meeting.

**by telephone or by Internet** – If you have telephone or Internet access, you may submit your proxy via our electronic voting platform at [www.proxyvote.com](http://www.proxyvote.com) or submit a proxy by telephone at (800) 690-6903 until 11:59 p.m. local time on the day before the Special Meeting by following the instructions provided in the Notice, or if you received a printed version of our proxy materials by mail, by following the instructions provided with your proxy materials and on your proxy card or voting instruction form.

If your shares are held in the name of a bank, broker or other nominee, you will receive instructions from the holder of record that you must follow for your shares to be voted. Please follow their instructions carefully.

If you attend the Special Meeting, you may vote in person, even if you have previously submitted a proxy. Your attendance at the Special Meeting will not revoke your proxy unless you give written notice of revocation to the Secretary of the Company before your proxy is exercised or unless you vote your shares in person at the Special Meeting. If you require directions to attend the meeting, please send a written request to Adir Katzav, Secretary of Eagle Bulk Shipping Inc., at 300 First Stamford Place, 5<sup>th</sup> Floor, Stamford, Connecticut 06902, telephone (203) 276-8100.

***What do I need to bring to be admitted to the Special Meeting?***

If you plan to attend the Special Meeting in person, please arrive at least 30 minutes before the meeting begins in order to check in with security, where you will be asked to present valid picture identification, such as a driver's license or passport. In addition, if your shares are held in the name of your broker, trustee or other nominee and you wish to attend the Special Meeting, you must bring an account statement or letter from the broker, trustee or other nominee indicating that you were the owner of the shares as of the Record Date.

***How may I vote my shares in person at the Special Meeting?***

If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered, with respect to those shares, the shareholder of record. As the shareholder of record, you have the right to vote in person at the Special Meeting. If your shares are held in a brokerage account or by another nominee or trustee, you are considered the beneficial owner of shares held in "street name." As the beneficial owner, you are also invited to attend the Special Meeting. Since a beneficial owner is not the shareholder of record, you may not vote these shares in person at the Special Meeting unless you obtain and present to us a "legal proxy" from your broker, trustee or other nominee that holds your shares, giving you the right to vote the shares at the meeting.

*If I am the beneficial owner of shares held in “street name” by my broker, will my broker automatically vote my shares for me?*

Rules applicable to broker-dealers grant your broker discretionary authority to vote your shares without receiving your instructions on certain routine matters, including the approval of an amendment to the Articles of Incorporation to increase the number of the Company’s authorized shares of Common Stock (Proposal No. 3) and to effect a reverse stock split of the Company’s issued and outstanding shares of Common Stock (Proposal No. 4). Your broker does not have discretionary authority to vote your shares without receiving your instructions with respect to Proposals No. 1, No. 2, No. 5, No. 6 or No. 7, the ratification of the Additional Share Issuance (as defined below) in connection with the entry into the Second Lien Loan Agreement, the ratification of the Director and Officer Issuance (as defined below) to certain directors and officers of the Company, the approval of the Common Stock Private Placement (as defined below) in connection with the entry into the Common Stock Purchase Agreement, the approval of the D&O Private Placement Issuance (as defined below) to certain directors and officers of the Company and the amendment of the Articles of Incorporation to authorize 25,000,000 shares of Preferred Stock, respectively.

***How will my voting instructions be treated?***

If you provide specific voting instructions, your shares will be voted as instructed.

If you hold shares as the shareholder of record and sign and return a proxy card or vote by telephone or Internet without giving specific voting instructions, then your shares will be voted as recommended by our Board of Directors.

If you are the beneficial owner of shares held through a broker, trustee or other nominee, and you do not give instructions to that nominee on how you want your shares voted, then generally your nominee can vote your shares on certain “routine” matters. At our Special Meeting, Proposals No. 3 and No. 4 are considered routine, which means that your broker, trustee or other nominee can vote your shares on Proposals No. 3 and No. 4 if you do not timely provide instructions to vote your shares.

If you are the beneficial owner of shares held through a broker, trustee or other nominee, and that nominee does not have discretion to vote your shares on a particular proposal and you do not give your broker instructions on how to vote your shares, then the votes will be considered broker non-votes. A broker “non-vote” will be treated as unvoted for purposes of determining approval for the proposal and will have the effect of neither a vote for nor a vote against the proposal.

***What is a broker “non-vote” and how would it affect the vote?***

A broker non-vote occurs when a broker or other nominee who holds shares for another person does not vote on a particular proposal because that holder does not have discretionary voting power for the proposal and has not received voting instructions from the beneficial owner of the shares. Under rules applicable to broker-dealers, Proposals No. 3 and No. 4, concerning approval of an amendment to the Articles of Incorporation to increase the number of the Company’s authorized shares of Common Stock and to effect a reverse stock split of the Company’s issued and outstanding shares of Common Stock, respectively, are items on which brokerage firms may vote in their discretion on behalf of their clients, even if such clients have not furnished voting instructions. Thus, we do not expect there to be any broker “non-votes” on Proposals No. 3 and No. 4. Brokerage firms may not vote with respect to Proposals No. 1, No. 2, No. 5, No. 6 and No. 7, concerning the ratification of the Additional Share Issuance (as defined in below) in connection with the entry into the Second Lien Loan Agreement, the ratification of the Director and Officer Issuance (as defined below) to certain directors and officers of the Company, the approval of the Common Stock Private Placement (as defined below) in connection with the entry into the Common Stock Purchase Agreement, the approval of the D&O Private Placement Issuance (as defined below) to certain directors and officers of the Company and the amendment of the Articles of Incorporation to authorize 25,000,000 shares of Preferred Stock, respectively, without their clients having furnished voting instructions. Thus, there may be broker “non-votes” with respect to Proposals No.

1, No. 2, No. 5, No. 6 and No. 7, but they will have no effect on such proposals.

***What is an “abstention” and how would it affect the vote?***

An “abstention” occurs when a shareholder sends in a proxy with explicit instructions to decline to vote regarding a particular matter. Abstentions are counted as present for purposes of determining a quorum. Abstentions will not be counted as having been voted and will have the same impact as a vote that is marked “AGAINST” for purposes of Proposals No. 1, No. 2, No. 3, No. 4, No. 5, No. 6 and No. 7.

***Who will count the votes?***

The Company's proxy processor and tabulator, Broadridge Financial Solutions, Inc., will serve as proxy tabulator and count the votes. The results will be certified by the inspector of election.

***Could other matters be decided at the Special Meeting?***

No. Under the By-laws, only business stated in the Notice of Special Meeting of Shareholders (or any supplement thereto) shall be transacted at the Special Meeting or any adjournment or postponement thereof.

***How can I change my vote or revoke my proxy?***

Any person signing a proxy card in the form to be mailed to you on or about      , 2016, has the power to revoke it prior to the Special Meeting or at the Special Meeting prior to the vote. A proxy may be revoked by any of the following methods:

by writing a letter delivered to Adir Katzav, Secretary of Eagle Bulk Shipping, 300 First Stamford Place, 5<sup>th</sup> Floor, Stamford, Connecticut 06902, stating that the proxy is revoked;

by submitting in writing, by telephone or Internet another proxy with a later date; or

by attending the Special Meeting and (i) voting in person or (ii) hand delivering a written notice of revocation to the Secretary of the Special Meeting before we begin voting.

Please note that attendance at the Special Meeting alone will not revoke a previously given proxy.

***What are the quorum and voting requirements to approve the proposals described in the proxy statement?***

In order to take action on the matters scheduled for a vote at the Special Meeting, a quorum (a majority of the aggregate number of shares of the Company's Common Stock issued and outstanding and entitled to vote as of the record date for the Special Meeting) must be present in person or by proxy.

A majority of the shares present in person, or represented by proxy, at the Special Meeting and entitled to vote on such matters is required for approval of Proposals No. 1, No. 2, No. 5, No. 6 and No. 7, concerning the ratification of the Additional Share Issuance (as defined below) in connection with the entry into the Second Lien Loan Agreement, the ratification of the Director and Officer Issuance (as defined below) to certain directors and officers of the Company, the approval of the Common Stock Private Placement (as defined below) in connection with the entry into the Common Stock Purchase Agreement, the approval of the Director and Officer Private Placement Issuance (as defined below) to certain directors and officers of the Company and the amendment of the Articles of Incorporation to authorize 25,000,000 shares of Preferred Stock, respectively. A majority of the total number of shares of the Company's Common Stock issued and outstanding and entitled to vote at the Special Meeting is required for approval of Proposals No. 3 and No. 4, concerning approval of an amendment to the Articles of Incorporation to increase the number of the Company's authorized shares of Common Stock and to effect a reverse stock split of the Company's issued and outstanding shares of Common Stock, respectively.

***Who will conduct the proxy solicitation and how much will it cost?***

We will pay the costs relating to this proxy statement, the proxy solicitation and the Special Meeting. We may reimburse brokerage firms and other persons representing beneficial owners of shares held in “street name” for their expenses in forwarding solicitation material to beneficial owners. Directors, officers and employees may also solicit proxies. They will not receive any additional pay for the solicitation.



## CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements within the meaning of Section 27A of the Securities Act Securities Act (the “*Securities Act*”), Section 21E of the Exchange Act 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 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 declined significantly from historic highs, 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 drydocking costs); (x) the outcome of legal proceedings in which we are involved; and (xi) and other factors listed from time to time in our filings with the SEC.

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. If we update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.



## PROPOSAL NO. 1

### **RATIFICATION, FOR PURPOSES OF COMPLYING WITH NASDAQ LISTING RULE 5635(D), OF THE ISSUANCE OF SHARES OF OUR COMMON STOCK, IN CONNECTION WITH THE ENTRY INTO THE SECOND LIEN LOAN AGREEMENT IN AN AMOUNT EQUAL TO 20% OR MORE OF OUR COMMON STOCK OUTSTANDING BEFORE THE ISSUANCE OF SUCH SHARES**

#### **General**

As previously reported on our Current Report on Form 8-K filed with the SEC on March 30, 2016, on March 30, 2016, Eagle Shipping entered into the Second Lien Loan Agreement with the Second Lien Lenders and the Agent. The Second Lien Lenders include certain of our existing shareholders, who held approximately 75% of our outstanding equity prior to entry into the Second Lien Loan Agreement, as well as other investors including the Chairman of the Company's Board of Directors (the "**Chairman**") and Chief Executive Officer. The Second Lien Loan Agreement provided for a term loan in the amount of \$60,000,000 (the "**Second Lien Facility**"), and matures on January 14, 2020. The term loan under the Second Lien Facility bears interest at a rate of LIBOR plus 14.00% per annum (with a 1.0% LIBOR floor) or the Base Rate (as defined in the Second Lien Loan Agreement) plus 13.00% per annum, paid in kind quarterly in arrears.

In connection with the entry into the Second Lien Loan Agreement, the Company agreed to issue up to 344,587,536 shares of Common Stock (the "**2L Shares**") to the Second Lien Lenders pro rata based on their participation in the Second Lien Facility. The Company's agreement to issue the 2L Shares to the Second Lien Lenders pursuant to the terms of the Second Lien Loan Agreement was the product of extensive negotiation among the Company, certain of its shareholders, its secured lenders and certain other potential investors regarding financial alternatives to enhance the Company's liquidity and was approved by the Board of Directors in consideration for funding the loans under the Second Lien Loan Agreement. The 2L Shares issued to the Second Lien Lenders will represent up to approximately 90% of the Company's outstanding Common Stock, assuming shareholder approval of Proposals No. 1, No. 2 and No. 3. The issuance of the 2L Shares is exempt from registration under Section 4(a)(2) of the Securities Act. The 2L Shares are expected to be delivered in two steps to the Second Lien Lenders.

In the first step, the Company issued and delivered 7,425,519 shares of Common Stock, representing approximately 19.4% of the Company's pre-transaction amount of outstanding shares of Common Stock, to the Second Lien Lenders (the "**Initial Share Issuance**"). In the second step and subject to the approval of Proposals No. 1 and No. 3 by our shareholders, the Company will issue and deliver up to an additional 335,192,945 shares of Common Stock (which amount does not include the shares subject to shareholder approval under Proposal No. 2), representing more than 20% of the Company's current share count, to the Second Lien Lenders (the "**Additional Share Issuance**"). Under the Second Lien Loan Agreement, we are required to obtain the approval from our shareholders of the relevant proposals under this proxy statement and deliver the 2L Shares by August 1, 2016, but we intend to seek an extension of this

time limit in accordance with the terms of the Second Lien Loan Agreement due to the anticipated timing of the Special Meeting based on the filing schedule of this proxy statement. In the aggregate, we expect 337,796,550 2L Shares to be issued and outstanding (out of a total potential 344,587,536), and our aggregate issued and outstanding shares of Common Stock to be 376,084,054 (out of a total potential 382,875,040), before giving effect to the Reverse Stock Split (as defined below) under Proposal No. 4. The total “potential” amounts presented in the previous sentence include shares of Common Stock that may be issued under the Second Lien Loan Agreement to incremental lenders for additional loans, if any, by the Company, which may be made under the Second Lien Loan Agreement. The amounts presented above also do not include shares of Common Stock reserved for the exercise of 1,377,337 stock options and the conversion of 3,045,327 warrants or the implementation of the anti-dilution provisions of the 2014 Eagle Bulk Shipping Inc. Equity Incentive Plan (the “*Equity Incentive Plan*”) and the Warrant Agreement, dated as of October 15, 2014, between Eagle Bulk Shipping Inc. and Computershare Inc., as warrant agent (the “*Warrant Agreement*”).

## **Purpose and Background for Shareholder Approval**

Our Common Stock is listed on the NASDAQ Global Select Market and, as such, we are subject to the NASDAQ Stock Market Rules. NASDAQ Listing Rule 5635(d) requires shareholder approval when, in connection with a transaction other than a public offering, a transaction involves the issuance by a company of common stock equal to 20% or more of the common stock outstanding before such issuance.

In compliance with NASDAQ Listing Rule 5635(d), the Second Lien Loan Agreement imposed a cap of 19.9% of the total shares of Common Stock outstanding before entry into the Second Lien Loan Agreement that could be issued without shareholder approval. Shareholder approval of the Initial Share Issuance was not required at the closing of the Second Lien Loan Agreement because the Initial Share Issuance did not exceed the 19.9% cap. However, because the Additional Share Issuance exceeds the 19.9% cap, we are seeking shareholder approval of such issuance.

In order to comply with NASDAQ Listing Rule 5635(d) and to satisfy the closing conditions under the Second Lien Loan Agreement, we are seeking shareholder ratification of the issuance of more than 20% of our outstanding Common Stock. A vote “**FOR**” Proposal No. 1 will constitute approval of the Additional Share Issuance.

## **Potential Effects of Approving Proposal No. 1**

Assuming shareholder ratification of the Additional Share Issuance is obtained, as well as shareholder approval of Proposals No. 2 and 3, the Second Lien Lenders will hold up to approximately 90% of the Company’s issued and outstanding shares of Common Stock, diluting our existing shareholders that did not participate as lenders in the Second Lien Loan Agreement. Specifically, the issuance of the 2L Shares has the effect of significantly reducing the interest of the existing shareholders that did not participate as lenders in the Second Lien Loan Agreement with respect to earnings per share, voting power, liquidation value and book and market value per share. Any additional equity or certain convertible debt or other financings in the future could result in further dilution to our shareholders. Additionally, sales in the public market of the shares of Common Stock issued to the Second Lien Lenders or the perception that such sales could occur, could adversely affect the prevailing market price of our Common Stock and impair our ability to raise funds in additional stock financings. Holders of the Company’s Common Stock are not entitled to preemptive rights with respect to any issuance of additional Common Stock.

## **Amended and Restated Registration Rights Agreement**

As previously reported on our Current Report on Form 8-K filed with the SEC on May 17, 2016, on May 13, 2016, in connection with the entry by the Company into the Second Lien Loan Agreement, the Company entered into an Amended and Restated Registration Rights Agreement, (the “**A&R Registration Rights Agreement**”) with Oaktree Capital Management, L.P. and GoldenTree Asset Management LP (and their respective affiliates) (collectively, the “**Holder**s”), which agreement provides such Holders, which are also Second Lien Lenders, among other things, demand and piggyback registration rights with respect to certain securities of the Company held by them, subject to the requirement that such securities qualify as Registrable Securities, as defined therein, including the 2L Shares. The A&R Registration Rights Agreement also provides such Holders with the right to demand an initial public offering and listing on the New York Stock Exchange or the NASDAQ Stock Market to be commenced at a time when the Company otherwise does not have a class of securities registered under Section 12 of the Exchange Act or a reporting obligation under Section 15(d) of the Exchange Act.

### **Voting Agreements with the Company**

In connection with the entry into the Second Lien Loan Agreement, the Second Lien Lenders that are current shareholders and who held approximately 75% of the outstanding shares of Common Stock prior to entry into the Second Lien Loan Agreement agreed with the Company to vote all shares of the Company's Common Stock held by them or their affiliates that are eligible to be voted in favor of such actions as are necessary to obtain approval of Proposal No. 1.

The Company has been informed that certain of the Second Lien Lenders, in satisfaction of their voting agreement obligations under the Second Lien Loan Agreement, intend to grant the Board of Directors an irrevocable proxy and attorney-in-fact, with full power of substitution (the "***Irrevocable Proxy***"), to vote all of such Second Lien Lender's shares of Common Stock eligible to be voted in connection with Proposal No. 1. As of the date hereof, the Company has received an Irrevocable Proxy from one of the Second Lien Lenders (and its affiliates) in connection with Proposal No. 1.

### **Vote Required**

Approval of Proposal No. 1 requires the affirmative vote of the holders of a majority of the shares of our Common Stock present in person, or represented by proxy, at the Special Meeting and entitled to vote.

### **Recommendation of the Board of Directors**

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE "**FOR**" PROPOSAL NO. 1, THE RATIFICATION, FOR PURPOSES OF COMPLYING WITH NASDAQ LISTING RULE 5635(D), OF THE ISSUANCE OF SHARES OF OUR COMMON STOCK, IN CONNECTION WITH THE SECOND LIEN LOAN AGREEMENT, IN AN AMOUNT EQUAL TO 20% OR MORE OF OUR COMMON STOCK OUTSTANDING BEFORE THE ISSUANCE OF SUCH SHARES.

## PROPOSAL NO. 2

### **RATIFICATION, FOR PURPOSES OF COMPLYING WITH NASDAQ LISTING RULE 5635(C), OF THE ISSUANCE OF SHARES OF OUR COMMON STOCK, IN CONNECTION WITH THE ENTRY INTO THE SECOND LIEN LOAN AGREEMENT TO CERTAIN DIRECTORS AND OFFICERS OF THE COMPANY**

#### **General**

As described in Proposal No. 1 above, on March 30, 2016, Eagle Shipping entered into the Second Lien Loan Agreement with the Second Lien Lenders and the Agent. In connection with the entry into the Second Lien Loan Agreement, the Company agreed to issue the 2L Shares to the Second Lien Lenders pro rata based on their participation in the Second Lien Facility. Paul Leand, Jr., our Chairman, and Gary Vogel, our Chief Executive Officer and a director, are two of the Second Lien Lenders to be issued 2L Shares. Subject to the approval of Proposal No. 2 by our shareholders, the Company will issue and deliver 1,969,072 shares of Common Stock to Messrs. Leand and Vogel (the “*Director and Officer Issuance*”).

#### **Purpose and Background for Shareholder Approval**

Our Common Stock is listed on The NASDAQ Global Select Market and, as such, we are subject to the NASDAQ Stock Market Rules. NASDAQ Marketplace Rule 5635(c) requires shareholder approval for certain equity compensation arrangements involving the issuance of common stock by a company to its officers, directors, employees, or consultants. Under NASDAQ interpretations of Rule 5635(c), such issuance of common stock in a private placement at a price less than the market value of the stock is considered a form of “equity compensation” and requires shareholder approval. For this purpose, market value is the closing bid price immediately preceding the time the company enters into a binding agreement to issue the securities.

Consequently, in order to comply with NASDAQ Listing Rule 5635(c) and to satisfy the closing conditions under the Second Lien Loan Agreement, we are seeking shareholder ratification of the issuance of shares of Common Stock to Messrs. Leand and Vogel. A vote “**FOR**” Proposal No. 2 will constitute ratification of the Director and Officer Issuance.





**Interests of the Company's Directors and Executive Officers in the Proposal**

The following table shows Messrs. Leand and Vogel's existing ownership of our shares of Common Stock and the amount of 2L Shares to be issued to them in connection with their participation in the Second Lien Facility. Because the 2L Shares are to be issued to the Second Lien Lenders as partial consideration, and not separately identifiable consideration, for providing funding in the form of loans under the Second Lien Facility to Eagle Shipping, there is no way to easily determine the aggregate value of such shares. Accordingly, we were not able to determine and have not provided the amount of equity compensation, as contemplated under NASDAQ Stock Market Rule 5635(c), that such shares represent to Messrs. Leand and Vogel.

Name and Title	Shares Beneficially Owned	Beneficial Ownership as a Percentage of Class <sup>(1)</sup>	2L Shares	Pro Forma Shares Beneficially Owned	Pro Forma Ownership as a Percentage of Class <sup>(2)</sup>
Paul Leand, Jr., Chairman	—	—	984,536	984,536	0.3 %
Gary Vogel, CEO and director <sup>(3)</sup>	325,000	0.8 %	984,536	1,309,536	0.3 %
<b>TOTAL</b>	325,000	0.8 %	1,969,072	2,294,072	0.6 %

(1) Based on 38,287,504 common shares outstanding as of March 30, 2016, prior to giving effect to the transactions under the Second Lien Loan Agreement.

(2) Pro Forma Ownership percentage based on 376,084,054 common shares outstanding, assuming shareholder approval of Proposals No. 1, No. 2 and No. 3 and that all 2L Shares expected to be issued to the Second Lien Lenders are issued and outstanding. It is not expected that there will be any incremental lenders under the Second Lien Loan Agreement to which 2L Shares may be issued.

(3) Mr. Vogel's beneficial ownership represents 325,000 shares of our Common Stock included in Mr. Vogel's unvested restricted stock awards granted under the Equity Incentive Plan.

**Potential Effects of Approving Proposal No. 2**

Assuming shareholder ratification of the Director and Officer Issuance is obtained, 1,969,072 shares of additional Common Stock will be issued and outstanding, diluting our existing shareholders that did not participate as lenders in the Second Lien Loan Agreement. Any additional equity, convertible debt or other financings in the future could result in further dilution to our existing shareholders that did not participate as lenders in the Second Lien Loan Agreement. Additionally, sales in the public market of the shares of Common Stock issued to our management and

directors or the perception that such sales could occur, could adversely affect the prevailing market price of our Common Stock and impair our ability to raise funds in additional stock financings. Holders of the Company's Common Stock are not entitled to preemptive rights with respect to any issuance of additional Common Stock.

### **Voting Agreements with the Company**

As of the date hereof, the Company has received an Irrevocable Proxy from one of the Second Lien Lenders (and its affiliates) with respect to such Second Lien Lender's shares of Common Stock eligible to be voted in connection with Proposal No. 2. The Irrevocable Proxy with respect to Proposal No. 2 does not represent a majority of the shares of Common Stock eligible to be voted.

### **Vote Required**

Approval of Proposal No. 2 requires the affirmative vote of the holders of a majority of the shares of our Common Stock present in person, or represented by proxy, at the Special Meeting and entitled to vote.

### **Recommendation of the Board of Directors**

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE **"FOR"** PROPOSAL NO. 2, THE RATIFICATION, FOR PURPOSES OF COMPLYING WITH NASDAQ LISTING RULE 5635(C), OF THE ISSUANCE OF SHARES OF OUR COMMON STOCK, IN CONNECTION WITH THE ENTRY INTO THE SECOND LIEN LOAN AGREEMENT, TO CERTAIN DIRECTORS AND OFFICERS OF THE COMPANY.

## PROPOSAL NO. 3

### APPROVAL OF AN AMENDMENT TO THE ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

#### General

In connection with the Second Lien Loan Agreement and the transactions thereunder and as described under Proposals No. 1 and No. 2, on March 29, 2016, our Board of Directors approved and is hereby soliciting shareholder approval of an amendment to Article FOURTH of the Articles of Incorporation to increase the number of authorized shares of Common Stock, from 150,000,000 to 700,000,000 (the “*Share Capital Increase*”). A vote “**FOR**” Proposal No. 3 will constitute approval of the Share Capital Increase.

If the shareholders approve Proposal No. 3, the Board of Directors will have the authority to effect the Share Capital Increase by filing articles of amendment to the Articles of Incorporation (the “*Authorized Share Increase Amendment*”) with the Registrar of Corporations of the Republic of the Marshall Islands (the “*Registrar of Corporations*”). If the Authorized Share Increase Amendment has not been filed with the Registrar of Corporations within one year after shareholder approval of Proposal No. 3, the Board of Directors will abandon the Share Capital Increase. In addition, as described in Proposals No. 1 and No. 5, the Share Capital Increase is a condition to the consummation of each of the Additional Share Issuance and the private placement of Common Stock in connection with the Common Stock Purchase Agreement (the “*Common Stock Private Placement*”). If Proposal No. 3 is approved and either (i) Proposals No. 1 and No. 2 or (ii) Proposal No. 5 are also approved, the Board of Directors will effect the Share Capital Increase so that the Company may comply with its obligations under the Second Lien Loan Agreement and/or the Common Stock Purchase Agreement, as applicable. If Proposal No. 3 is approved but Proposals No. 1 and No. 2 and Proposal No. 5 are not approved by the Company’s shareholders, our Board of Directors reserves its right to elect not to proceed, and abandon, the Share Capital Increase if it determines, in its sole discretion, that implementing Proposal No. 3 is not in the best interests of the Company and its shareholders.

#### Purpose and Background for Shareholder Approval

As described in Proposals No. 1 and No. 2 above, as a result of Eagle Shipping entering into the Second Lien Loan Agreement, the Company is obligated to issue the 2L Shares, subject to shareholder approval of Proposals No. 1 and No. 2. In addition, as described in Proposal No. 5 below, as a result of the Company entering into the Common Stock Purchase Agreement, the Company is obligated to issue the Private Placement Common Shares (as defined below), subject to shareholder approval of Proposal No. 5. As of March 30, 2016, prior to giving effect to the transactions under the Second Lien Loan Agreement and Common Stock Purchase Agreement, we had 38,287,504 shares of

Common Stock issued and outstanding and approximately 112,000,000 shares of Common Stock available for issuance, without taking into account shares of Common Stock reserved for the issuance of shares of Common Stock in connection with the exercise of 1,377,337 stock options and the conversion of 3,045,327 warrants. As this amount is less than the amount necessary for the Additional Share Issuance and Common Stock Private Placement, additional authorized shares of Common Stock will enable us to fulfill our obligations under the Second Lien Loan Agreement and Common Stock Purchase Agreement.

Other than with respect to the Additional Share Issuance and the Common Stock Private Placement, the Company has no present plans, commitments or understandings in place with regard to the use of such shares, but there can be no assurance that we will not develop such plans in the future.

### **The Authorized Share Increase Amendment**

Approval of Proposal No. 3 would be implemented by replacing paragraph (a)(i) of Article FOURTH of the Articles of Incorporation with the following:

(i) seven hundred million (700,000,000) shares of Common Stock, par value US\$0.01 per share (the “Common Stock”)

### **Effective Date**

The Share Capital Increase, if approved by our shareholders, would become effective upon the filing or such later time as specified in the filing of the Authorized Share Increase Amendment with the Registrar of Corporations.

### **Potential Effects of Approving Proposal No. 3**

Assuming shareholder approval of the Share Capital Increase is obtained and that the Board of Directors increases the authorized shares to 700,000,000 shares of Common Stock, and without taking into account shareholder approval and implementation of the Reverse Stock Split (as defined below), the issuance of any shares of Common Stock to any incremental lenders under the Second Lien Loan Agreement or anti-dilution adjustments under the Equity Incentive Plan and the Warrants, we could potentially have over 323,000,000 shares of additional Common Stock available for issuance after the issuance and delivery of the 2L Shares (subject to shareholder approval of Proposals No. 1 and No. 2).

In addition, assuming shareholder approval of the Reverse Stock Split under Proposal No. 4, the implementation of the Reverse Stock Split at a ratio of 1-for-50, the maximum ratio for which the Board of Directors is seeking approval, and of the Common Stock Private Placement under Proposal No. 5 and D&O Private Placement Issuance under Proposal No. 6, and after giving effect to the other transactions contemplated in this proxy statement, we expect that we will have approximately 681,000,000 shares of Common Stock available for issuance.

The Share Capital Increase will permit our Board of Directors to approve the issuance of shares of Common Stock in the future, without the necessity and related costs and delays of either calling a special shareholders' meeting or waiting for an annual meeting of shareholders in order to increase the authorized capital.

The shares included in the Share Capital Increase would be a part of the existing class of Common Stock and, if and when issued, would have the same rights and privileges as the shares of Common Stock presently outstanding. The issuance in the future of any additional authorized shares of Common Stock may have the effect of diluting the earnings per share and book value per share, as well as the ownership percentage and voting rights, of the currently outstanding shares of Common Stock. As we may need or seek to raise significant amounts of equity capital while our stock is currently trading at historic lows, such dilution may be substantial, including in connection with the Private Placement Common Shares to be issued pursuant to the Common Stock Purchase Agreement if Proposal No. 5 is approved. The Company does not have any current plans to issue any additional shares of Common Stock except in connection with the Common Stock Private Placement. In addition, holders of Common Stock do not have preemptive rights to subscribe to additional securities that may be issued by the Company. This means that current shareholders do not have a prior right to purchase any new issue of Common Stock of the Company in order to maintain their proportionate ownership interest.

### **Potential Anti-Takeover Implications of the Share Capital Increase**

The Share Capital Increase could adversely affect the ability of third parties to take over or cause a change in control of the Company. The authorization or issuance of Common Stock, while providing desirable flexibility in connection with possible business combinations, financings and other corporate transactions, may have the effect of discouraging, delaying or preventing a change in control of the Company because it would enable the Company to issue additional shares of Common Stock up to the total authorized number with the effect that stockholdings and related voting rights of then existing shareholders would be diluted to an extent proportionate to the number of additional shares of Common Stock issued. As indicated above, the purpose of the Share Capital Increase is to ensure that we have sufficient authorized Common Stock to fulfill our obligations under the Second Lien Loan Agreement and the Common Stock Purchase Agreement. However, the Company's excess authorized but unissued shares of Common Stock not needed for the Additional Share Issuance and the Common Stock Private Placement could be issued (within the limits imposed by applicable law, regulation and NASDAQ rules) in one or more transactions that could make a change of control more difficult and therefore more unlikely. Further, because the Reverse Stock Split (as defined below) will decrease the number of shares of Common Stock issued and outstanding but will not change the number of authorized shares of the Company's Common Stock, the number of shares of Common Stock remaining available for issuance following the Reverse Stock Split will be greater than the amount available for issuance prior to the Reverse Stock Split. As described above, assuming a Reverse Stock Split exchange ratio of 1-to-50, the maximum ratio for which the Board of Directors is seeking approval, that 11,333,333 Private Placement Common Shares (as defined below) are issued upon approval of Proposals No. 5 and No. 6, and after giving effect to the other transactions contemplated in this proxy statement, we expect that we will have approximately 681,000,000 shares of Common Stock available for issuance. Consequently, additional shares of Common Stock would be available to compound the effects mentioned above.

Our Board of Directors did not propose the Share Capital Increase for any defensive or anti-takeover purpose, for the purpose of implementing any shareholder rights plan or with features specifically intended to make any attempted acquisition of the Company more difficult or costly. However, the Board of Directors could, in the exercise of its fiduciary duties to the Company and its shareholders, determine to issue Common Stock for such purposes in the future. The Board of Directors may also issue Common Stock for capital-raising activities or other corporate purposes that have the effect of making an acquisition of the Company materially more difficult or costly.

### **Other Provisions that may affect the Acquisition of Control of the Company**

SEC rules also require that we discuss other provisions of our Articles of Incorporation and our By-Laws that could make the acquisition of control of the Company or the removal of our existing management more difficult, which include the following:

the Company does not provide for cumulative voting for directors;



our Board of Directors fixes the size of the Board of Directors within certain limits, may create new directorships and may appoint new directors to serve for the full term. The Board of Directors (or its remaining members, even though less than a quorum) also may fill vacancies on the Board of Directors occurring for any reason for the remainder of the term;

our Board of Directors may issue preferred stock without any vote or further action by the shareholders;

special meetings of shareholders may be called only by the Board of Directors and any one or more shareholders who beneficially owns, in the aggregate, 15% or more of the aggregate voting power of all then-outstanding shares of voting stock;

all shareholder actions must be taken at a regular or special meeting of the shareholders and cannot be taken by written consent without a meeting; and

the Company has advance notice procedures with respect to shareholder proposals and the nomination of candidates for election as directors, which generally require that shareholder proposals and nominations be provided to us between 60 and 90 days before the anniversary of our last annual meeting in order to be properly brought before a shareholder meeting.

These provisions are expected to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of the Company to first negotiate with our Board of Directors.

### **No Appraisal Rights**

Under the Republic of the Marshall Islands Business Corporations Act (the “*BCA*”), our shareholders are not entitled to dissenters’ rights or appraisal rights with respect to the Share Capital Increase, and we will not independently provide shareholders with any such right.

### **Voting Agreements with the Company**

In connection with the entry into the Second Lien Loan Agreement, the Second Lien Lenders that are current shareholders and who held approximately 75% of the outstanding shares of Common Stock prior to entry into the Second Lien Loan Agreement agreed with the Company to vote all shares of the Company’s Common Stock held by them or their affiliates that are eligible to be voted in favor of such actions as are necessary to obtain approval of Proposal No. 3. In addition, in connection with the entry into the Common Stock Purchase Agreement, the Common Stock Purchasers (some of which also constitute Second Lien Lenders) that are shareholders as of the Record Date and who held approximately 68% of the outstanding shares of Common Stock prior to entry into the Common Stock Purchase Agreement, agreed with the Company to vote all shares of the Company’s Common Stock held by them or their affiliates that are eligible to be voted in favor of approval of Proposal No. 3.

The Company has been informed that certain of the Second Lien Lenders, in satisfaction of their voting agreement obligations under the Second Lien Loan Agreement, intend to grant the Board of Directors an Irrevocable Proxy to vote all of their shares of Common Stock eligible to be voted in connection with Proposal No. 3. As of the date hereof, the Company has received an Irrevocable Proxy from one of the Second Lien Lenders (and its affiliates) in connection with Proposal No. 3.

**Vote Required**

Approval of Proposal No. 3 requires the affirmative vote of the majority of the total number of shares of the Company's Common Stock issued and outstanding and entitled to vote.

**Recommendation of the Board of Directors**

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE "**FOR**" PROPOSAL NO. 3, THE APPROVAL OF AN AMENDMENT TO THE ARTICLES OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK.

## PROPOSAL NO. 4

### APPROVAL OF AN AMENDMENT TO THE ARTICLES OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT

#### General

In connection with the Second Lien Loan Agreement and the transactions thereunder, and as described under Proposals No. 1 and No. 2, on March 29, 2016, our Board of Directors approved and is hereby soliciting shareholder approval of an amendment to Article FOURTH of the Articles of Incorporation to effect a reverse stock split of the Company's issued and outstanding shares of Common Stock by a ratio of between 1-for-10 and 1-for-50, inclusive (the "*Reverse Stock Split*"), to be determined by the Company's Chairman (the "*Reverse Stock Split Amendment*"). A vote "**FOR**" Proposal No. 4 will constitute approval of the Reverse Stock Split Amendment and will grant the Chairman the authority to determine whether to implement the Reverse Stock Split.

The Reverse Stock Split is intended to be effected after the implementation of the Share Capital Increase under Proposal No. 3 and the issuance and delivery of all of the 2L Shares under Proposals No. 1 and No. 2, and prior to the delivery of the Private Placement Common Shares under Proposal No. 5, as the implementation of the Reverse Stock Split is a condition to the consummation of the Common Stock Private Placement, and is necessary so that there are sufficient shares of Common Stock available to issue in the Common Stock Private Placement.

If the shareholders approve Proposal No. 4, the Chairman will have the authority, but not the obligation, in his sole discretion, and without further action on the part of the shareholders, to select a Reverse Stock Split exchange ratio within the approved range and effect the Reverse Stock Split by filing the Reverse Stock Split Amendment with the Registrar of Corporations at any time after its approval by the shareholders. If the Reverse Stock Split Amendment has not been filed with the Registrar of Corporations within one year after shareholder approval of Proposal No. 4, the Board of Directors will abandon the Reverse Stock Split. If one or more of Proposals No. 1, No. 2, No. 3 and No. 5 are not approved by the Company's shareholders, our Chairman reserves the right to elect not to proceed, and abandon, the Reverse Stock Split if he determines, in his sole discretion, that implementing Proposal No. 4 is not in the best interests of the Company and its shareholders.

The Board of Directors believes that enabling the Chairman to set the ratio within the stated range will provide us with the flexibility to implement the Reverse Stock Split in a manner designed to maximize the anticipated benefits for our shareholders. In determining a ratio, if any, following the receipt of shareholder approval, the Chairman may consider, among other things, factors such as:

the continuing listing requirements of various stock exchanges, including the NASDAQ Global Select Market where our shares of Common Stock are currently listed for trading;

the historical trading price and trading volume of our Common Stock;

the number of shares of our Common Stock outstanding;

the then-prevailing trading price and trading volume of our Common Stock and the anticipated impact of the Reverse Stock Split on the trading market for our Common Stock;

the anticipated impact of a particular ratio on our ability to reduce administrative and transactional costs; and

prevailing general market and economic conditions.

Depending on the ratio for the Reverse Stock Split determined by the Chairman, no less than 10 and no more than 50 shares of existing Common Stock, as determined by the Chairman, will be combined into each share of Common Stock. No fractional shares of Common Stock will be issued in connection with the Reverse Stock Split. See “—Fractional Shares.” The Reverse Stock Split Amendment, if any, will include only the exchange ratio determined by the Chairman to be in the best interests of our shareholders and all of the other proposed amendments at different ratios will be abandoned.

### **Purpose and Background for Shareholder Approval**

We are seeking to implement a Reverse Stock Split to increase the per share trading price of the Company’s Common Stock, which will be impacted by the increase in the number of issued and outstanding shares of Common Stock required under the Second Lien Loan Agreement and Common Stock Purchase Agreement if Proposals No. 1, No. 2, No. 3 and No. 5 are approved.

In addition, our Common Stock currently trades on the NASDAQ Global Select Market under the symbol “EGLE”. The NASDAQ Stock Market Rules contain various continued listing criteria that companies must satisfy in order to remain listed on the exchange. One of these criteria is that a company’s common stock has a bid price that is greater than or equal to \$1.00 per share. On April 28, 2016, we received a letter from NASDAQ indicating that the bid price of our Common Stock for the last 30 consecutive trading days had closed below the minimum of \$1.00 per share required for continued listing under NASDAQ Listing Rule 5450(a)(1) (the “*Minimum Bid Rule*”).

In accordance with NASDAQ Listing Rule 5810(c)(3)(A), the Company has a period of 180 calendar days from the date of the notification, or until October 25, 2016, to achieve compliance with the Minimum Bid Rule. The Company will regain compliance with the Minimum Bid Rule if at any time before October 25, 2016, the bid price for the Company’s Common Stock closes at or above \$1.00 per share for a minimum of 10 consecutive business days.

In the event the Company does not regain compliance with the Minimum Bid Rule by October 25, 2016, the Company may be eligible for an additional 180 calendar-day compliance period if it elects to transfer to The NASDAQ Capital Market so as to take advantage of the additional compliance period offered on that market. To qualify, the Company would be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The NASDAQ Capital Market, with the exception of the bid price requirement, and would need to provide written notice of its intention to cure the deficiency during the second compliance period.

The primary purpose of the Reverse Stock Split is to increase the per share trading price of our Common Stock in order to maintain the eligibility of our Common Stock for listing on the NASDAQ Global Select Market, and as described above, is also required by the Second Lien Loan Agreement and is a condition to the consummation of the Common Stock Private Placement. We believe that the Reverse Stock Split would allow us to regain compliance with the Minimum Bid Rule. Our Board of Directors has considered the potential harm to us and our shareholders should NASDAQ delist our Common Stock on The NASDAQ Global Select Market. Delisting from NASDAQ would adversely affect our ability to raise additional financing through the public or private sale of equity securities and would significantly affect the ability of investors to trade our securities. Delisting would also negatively affect the value and liquidity of our Common Stock because alternatives, such as the OTC Bulletin Board and the pink sheets, are generally considered to be less efficient markets. In addition, the Company believes that a number of institutional investors and investment funds are reluctant to invest, and in some cases may be prohibited from investing, in lower-priced stocks and that brokerage firms are reluctant to recommend lower-priced stocks to their clients. Other investors may also be dissuaded from purchasing lower-priced stocks because the brokerage commissions, as a percentage of the total transaction, tend to be higher for lower-priced stocks.

The combination of being listed on the NASDAQ Global Select Market, the lower transaction costs and increased interest from institutional investors and investment funds could have the effect of improving the trading liquidity and price of our Common Stock. Although we believe that the Reverse Stock Split would likely increase the price of our Common Stock, in many cases, because of variables outside of a company's control (such as market volatility, investor response to the news of a proposed reverse stock split and the general economic environment), the market price of a company's shares of common stock may in fact not change in value, or could even decline in value, after a reverse stock split and the total market capitalization of our Common Stock after the proposed Reverse Stock Split may be lower than the total market capitalization before the proposed Reverse Stock Split. The implementation of a reverse stock split does not have an effect on the actual or intrinsic value of our business or a shareholder's proportional ownership in our Company. However, should the overall value of our Common Stock decline after the proposed Reverse Stock Split, then the actual or intrinsic value of the shares of our Common Stock held by our shareholders will also proportionately decrease as a result of the overall decline in value.

### **The Reverse Stock Split Amendment**

Approval of Proposal No. 4 would be implemented by the addition of the following paragraph to the end of Article FOURTH of the Articles of Incorporation with the following:

*“Reverse Stock Split.* Upon the filing and effectiveness pursuant to the BCA of the articles of amendment adding this paragraph to Article FOURTH of these Amended and Restated Articles of Incorporation (the “Reverse Stock Split Effective Date”), each [ ] shares of Common Stock issued and outstanding immediately prior to the Reverse Stock Split Effective Date either issued and outstanding or held by the Corporation as treasury stock shall be combined into one (1) validly issued, fully paid and non-assessable share of Common Stock without any further action by the Corporation or the holder thereof (the “Reverse Stock Split”); provided that no fractional shares shall be issued to any holder and that in lieu of issuing any such fractional shares, fractional shares resulting from the Reverse Stock Split will be rounded down to the nearest whole share and provided, further, that shareholders who would otherwise be entitled to receive fractional shares because they hold a number of shares not evenly divisible by the ratio of the Reverse Stock Split will receive a cash payment (without interest and subject to applicable withholding taxes) in an amount per share equal to the closing price per share on NASDAQ on the trading day immediately preceding the Reverse Stock Split Effective Date. Each certificate, if any, that immediately prior to the Reverse Stock Split Effective Date represented shares of Common Stock (“Old Certificates”), shall thereafter represent that number of shares of Common Stock into which the shares of Common Stock represented by the Old Certificate shall have been combined, subject to the elimination of fractional shares as described above.”

### **Effective Date**

The Reverse Stock Split, if approved at the Special Meeting and implemented by the Company's Chairman, would become effective as of the first business day after the date the Reverse Stock Split Amendment is filed with the



Registrar of Corporations (the “***Reverse Stock Split Effective Date***”). Except as explained below with respect to fractional shares, on the Reverse Stock Split Effective Date, shares of Common Stock issued and outstanding immediately prior thereto will be, automatically and without any action on the part of the shareholders, combined, converted and changed into new shares of Common Stock in accordance with the exchange ratio selected by the Chairman from the approved exchange ratio range.

#### **Potential Effects of Approving Proposal No. 4**

The immediate anticipated effect of the Reverse Stock Split would be to reduce the number of shares of our Common Stock outstanding and to increase the trading price of our Common Stock. However, we cannot predict the effect of any reverse stock split upon the market price of our Common Stock over an extended period, and in many cases, the market value of a company's common stock following a reverse split declines. We cannot assure you that the trading price of our Common Stock after the Reverse Stock Split will rise in inverse proportion to the reduction in the number of shares of our Common Stock outstanding as a result of the Reverse Stock Split. Also, we cannot assure you that the Reverse Stock Split would lead to a sustained increase in the trading price of our Common Stock. The trading price of our Common Stock may change due to a variety of other factors, including our operating results and other factors related to our business and general market conditions. In addition, a reduction in number of shares outstanding may impair the liquidity for our Common Stock, which may reduce the value of our Common Stock.

In the event the Reverse Stock Split is effected, it will be effected simultaneously for all outstanding shares of our Common Stock. The Reverse Stock Split will affect all of our shareholders uniformly and will not affect any shareholder's percentage ownership interest in the Company, except to the extent that the Reverse Stock Split results in any of our shareholders owning a fractional share, in which case such fractional shares will be treated as described under "—Fractional Shares." Shares of our Common Stock issued pursuant to the Reverse Stock Split will remain fully paid and nonassessable.

Under our Articles of Incorporation, our authorized capital stock consists of 150,000,000 shares of Common Stock. As of March 30, 2016, prior to giving effect to the transactions under the Second Lien Loan Agreement and the Common Stock Purchase Agreement, we had 38,287,504 shares of Common Stock issued and outstanding and approximately 112,000,000 shares of Common Stock available for issuance, without taking into account shares of Common Stock reserved for the issuance of shares of Common Stock in connection with the exercise of 1,377,337 stock options and the conversion of 3,045,327 warrants. The share numbers in the previous sentence will be adjusted to account for the issuance of the 2L Shares and the Private Placement Common Shares under Proposal No. 5 and to give effect to the Reverse Stock Split. Pursuant to the anti-dilution provisions of the Equity Incentive Plan and the Warrant Agreement, the equity securities and related per share exercise prices of such equity securities will similarly be adjusted.

If shareholders approve Proposals No. 1, No. 2 and No. 3, and as a result the authorized shares of Common Stock are increased to 700,000,000 shares and all of the shares of Common Stock that are issuable under the Second Lien Loan Agreement are delivered, we will have 382,875,040 shares of Common Stock outstanding. We expect, however, that certain shares under the Second Lien Loan Agreement may not be issued to any incremental lenders, in which case, 376,084,054 shares of Common Stock will be issued and outstanding with potentially over 323,000,000 shares of Common Stock available for issuance. The Reverse Stock Split, by itself, will not change the number of authorized shares of the Company's Common Stock. However, because the Reverse Stock Split will decrease the number of shares of Common Stock issued and outstanding but will not change the number of authorized shares of the Company's Common Stock, the number of shares of Common Stock remaining available for issuance following the

Reverse Stock Split will be greater than the amount available for issuance prior to the Reverse Stock Split. Assuming a Reverse Stock Split exchange ratio of 1-to-50, the maximum ratio for which the Board of Directors is seeking approval, that 11,333,333 Private Placement Common Shares are issued upon approval of Proposals No. 5 and No. 6, and after giving effect to the other transactions contemplated in this proxy statement, we expect that we will have approximately 681,000,000 shares of Common Stock available for issuance. Consequently, additional shares of Common Stock will be available from time to time for corporate purposes such as acquisitions of companies or assets, sale of stock or securities convertible into Common Stock and raising additional capital.

Except for the shares of Common Stock that are issuable under the Common Stock Purchase Agreement, which, if Proposals No. 4 and No. 5 are approved, will be issued after the Reverse Stock Split is effected, we currently have no plans or arrangements at this time to issue any of the additional available authorized shares of Common Stock that would result from the Reverse Stock Split. If Proposal No. 4 is approved, the additional authorized but unissued shares of Common Stock may generally be issued from time to time for such proper corporate purposes as may be determined by our Board of Directors, without further action or authorization by our shareholders, except for some limited circumstances where shareholder approval is required by law or the listing standards of any stock exchange on which our Common Stock may be listed at such time.

The Reverse Stock Split will affect all holders of our Common Stock uniformly and will not affect any shareholder's percentage ownership interest in the Company, subject to the treatment of fractional shares. See “—Fractional Shares.”

The Reverse Stock Split may result in some shareholders owning “odd lots” of less than 100 shares of Common Stock. Odd lot shares may be more difficult to sell, and brokerage commissions and other costs of transactions in odd lots are generally somewhat higher than the costs of transactions in “round lots” of even multiples of 100 shares.

In addition, because no fractional shares will be issued, fractional shares of less than one share of Common Stock after the Reverse Stock Split will be cashed out and canceled, and therefore, holders that own less than one share after giving effect to the Reverse Stock Split will not be able to participate in our future earnings or growth, if any. See “—Fractional Shares.” It also will not be possible for cashed out shareholders, if any, to re-acquire an equity interest in the Company unless they purchase an interest from a remaining shareholder or in a future equity offering by the Company. However, the Board of Directors does not intend to use the Reverse Stock Split as a part of or a first step in a “going private” transaction within the meaning of Rule 13e-3 of the Exchange Act. There is no plan or contemplated plan by the Company to take itself private at the date of this proxy statement, but we cannot assure you that the Company will not take steps in the future to do so.

As of June 2, 2016, we had approximately 128 holders of record who held fewer than 50 shares of our Common Stock, out of a total of approximately 203 holders of record. In addition, the NASDAQ Listing Rules require that we have more than 400 Public Holders, which is defined under NASDAQ Listing Rule 5005 as “holders of a security that includes both beneficial holders and holders of record, but does not include any holder who is, either directly or indirectly, an Executive Officer, director, or the beneficial holder of more than 10% of the total shares outstanding.” As of June 2, 2016, we had approximately 13,000 Public Holders calculated in accordance with the applicable definition. Assuming the maximum reverse stock split exchange ratio of 1-to-50, the Company has concluded that it will continue to have well over 400 Public Holders after the reverse stock split, which will satisfy NASDAQ's continued listing requirement regarding the number of Public Holders for the NASDAQ Global Select Market.

After the Reverse Stock Split Effective Date, our Common Stock will have a new CUSIP number, which is a number used to identify our equity securities, and stock certificates with the older CUSIP numbers will need to be exchanged

for stock certificates, if any, with the new CUSIP numbers by following the procedures described below. After the Reverse Stock Split, we will continue to be subject to the periodic reporting and other requirements of the Exchange Act. Our Common Stock will continue to be listed on the NASDAQ Global Select Market under the symbol "EGLE."

### **Potential Anti-Takeover Implications of the Reverse Stock Split**

The Reverse Stock Split could, if implemented and under certain circumstances, have an anti-takeover effect, although this is not our intent. As discussed above, the authorized shares are not being reduced by the Reverse Stock Split. Therefore, additional shares could be issued (within the limits imposed by applicable law, regulation and NASDAQ rules), in one or more transactions that could make a change in control or takeover of the Company more difficult than if the authorized shares were also reduced by the Reverse Stock Split. For example, it may be possible for the Board of Directors to delay or impede a takeover or transfer of control of the Company by causing such additional authorized but unissued shares to be issued to holders who might side with the Board of Directors in opposing a takeover bid that the Board of Directors determines is not in the best interests of the Company or its shareholders. The Reverse Stock Split therefore may have the effect of discouraging unsolicited takeover attempts. By potentially discouraging initiation of any such unsolicited takeover attempts, the Reverse Stock Split may limit the opportunity for the Company's shareholders to dispose of their shares at the higher price generally available in takeover attempts or that may be available under a merger proposal. The Reverse Stock Split may have the effect of permitting the Company's current management, including the current Board of Directors, to retain its position, and place it in a better position to resist changes that shareholders may wish to make if they are dissatisfied with the conduct of the Company's business. However, the Reverse Stock Split has been proposed with the intent to increase the per share trading price of the Company's Common Stock, and not to construct or enable any anti-takeover defense or mechanism on behalf of the Company.

The Board of Directors is not aware of any attempt to effect a change in control of the Company and the Board of Directors has not approved the Reverse Stock Split with the intent that it be utilized as a type of anti-takeover device.

### **Effect on Beneficial Holders of Common Stock**

Upon the implementation of the Reverse Stock Split, we intend to treat shares held by shareholders through a bank, broker, custodian or other nominee (i.e., shareholders who hold in "street name") in the same manner as registered shareholders whose shares are registered in their names. Banks, brokers, custodians or other nominees will be instructed to effect the Reverse Stock Split for their beneficial holders holding our Common Stock in "street name." However, these banks, brokers, custodians or other nominees may have different procedures than registered shareholders for processing the Reverse Stock Split. Shareholders who hold shares of our Common Stock with a bank, broker, custodian or other nominee and who have any questions in this regard are encouraged to contact their banks, brokers, custodians or other nominees.

### **Effect on Registered "Book-Entry" Holders of Common Stock**

Certain of our registered holders of Common Stock may hold some or all of their shares electronically in book-entry form with the transfer agent (i.e. shareholders that are registered on the transfer agent's books and records but do not hold stock certificates). These shareholders do not have stock certificates evidencing their ownership of our Common Stock. They are, however, provided with a statement reflecting the number of shares registered in their accounts.

Shareholders who hold shares electronically in book-entry form with the transfer agent will not need to take action (the exchange will be automatic) to receive whole shares of post-Reverse Stock Split Common Stock, subject to adjustment for treatment of fractional shares.

### **Fractional Shares**

No fractional shares of Common Stock will be issued in connection with the Reverse Stock Split. If as a result of the Reverse Stock Split, a shareholder of record would otherwise hold a fractional share, the fractional share resulting from the Reverse Stock Split will be rounded down to the nearest whole share; and provided that shareholders who would otherwise be entitled to receive fractional shares because they hold a number of shares not evenly divisible by the ratio of the Reverse Stock Split will receive a cash payment (without interest and subject to applicable withholding taxes) in an amount per share equal to the closing price per share on NASDAQ on the trading day immediately preceding the Reverse Stock Split Effective Date. The ownership of a fractional interest will not give the holder thereof any voting, dividend or other right except to receive the cash payment therefor, as applicable, as described above.

For example if a shareholder presently holds 1,000 shares of Common Stock, such a shareholder will hold 40 shares of Common Stock following a 1-for-25 reverse split. Similarly, if a shareholder presently holds 1,020 shares of Common Stock, such a shareholder will also hold 40 shares of Common Stock following a 1-for-25 reverse split. This is because the 40.8 shares of Common Stock such a shareholder would otherwise hold following a 1-for-25 reverse split will be rounded down from 40.8 shares of Common Stock to 40 shares of Common Stock.

Shareholders who hold less than the full number of Reverse Stock Split ratio shares, for example, less than 25 shares if the ratio were set at 1-for-25, will receive cash in lieu of fractional shares. To illustrate, if (i) a shareholder presently holds 20 shares of Common Stock, (ii) the Reverse Stock Split was effected at a 1-for-25 exchange ratio and (iii) the closing trading price of the Company's Common Stock on the trading day immediately before the Reverse Stock Split Effective Date is \$0.50 a share, such a shareholder will receive \$10.00 following a 1-for-25 reverse split. This is because the 0.8 shares of Common Stock such shareholder would otherwise hold following a 1-for-25 reverse split would be exchanged for a cash payment equal to the 20 shares of Common Stock held prior to the reverse split multiplied by \$0.50 per share, the hypothetical closing trading price of the Company's Common Stock on the trading day immediately before the Reverse Stock Split Effective Date.

Under the escheat laws of various jurisdictions, sums due for fractional interests that are not timely claimed after the Reverse Stock Split Effective Date may be required to be paid to the designated agent for each such jurisdiction, unless correspondence has been received by the Company or the transfer agent concerning ownership of such funds within the time permitted in such jurisdiction. Thereafter, if applicable, shareholders otherwise entitled to receive such funds, but who do not receive them due to, for example, their failure to timely comply with the transfer agent's instructions, will have to seek to obtain such funds directly from the state to which they were paid.



## Accounting Consequences

The par value per share of our Common Stock will remain unchanged at \$0.01 per share after the Reverse Stock Split, if implemented. As a result, on the Reverse Stock Split Effective Date, the stated capital on our balance sheet attributable to Common Stock will be reduced proportionately based on the exchange ratio selected by the Chairman from the approved range, from its present amount, and the additional paid-in capital account shall be credited with the amount by which the stated capital is reduced. The shares of our Common Stock held in treasury will also be reduced proportionately based on the exchange ratio. After the Reverse Stock Split, net income or loss per share, and other per share amounts will be increased because there will be fewer shares of our Common Stock outstanding. In future financial statements, net income or loss per share and other per share amounts for periods ending before the Reverse Stock Split would be recast to give retroactive effect to the Reverse Stock Split. In addition, the per share exercise price of outstanding option awards would increase proportionately, and the number of shares of our Common Stock issuable upon the exercise of outstanding options and upon the vesting of unvested stock unit awards would decrease proportionately, in each case based on the exchange ratio selected by the Chairman. The Company does not anticipate that any other accounting consequences would arise as a result of the Reverse Stock Split.

## Material U.S. Federal Income Tax Consequences of the Reverse Stock Split

The following is a summary of the material U.S. federal income tax consequences of the Reverse Stock Split to U.S. Holders (as defined below) of our shares. This summary is based on the Internal Revenue Code of 1986, as amended (the “*Code*”), the Treasury regulations promulgated thereunder, and administrative rulings and court decisions in effect as of the date of this proxy statement, all of which may be subject to change, possibly with retroactive effect. This summary only addresses holders who hold their shares as capital assets within the meaning of the Code and does not address all aspects of U.S. federal income taxation that may be relevant to U.S. Holders subject to special tax treatment, such as financial institutions, dealers in securities, insurance companies, regulated investment companies, persons that own shares as part of a hedge, straddle, or conversion transaction, persons whose functional currency is not the U.S. dollar, foreign persons and tax-exempt entities. In addition, this summary does not consider the effects of any applicable state, local, foreign or other tax laws.

As used herein, the term “*U.S. Holder*” means a beneficial owner of common stock that is: (1) an individual citizen or resident of the United States, any state thereof or the District of Columbia; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust if (a) the administration of the trust is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust, or (b) a valid election is in effect under applicable Treasury Regulations to be treated as a United States person. A “*Non-U.S. Holder*” is a beneficial owner of common stock other than a U.S. Holder, a partnership or an entity treated as a partnership for U.S. federal income tax purposes.

If a partnership, or any entity treated as a partnership for U.S. federal income tax purposes, holds our Common Stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding our Common Stock, you are encouraged to consult your tax advisor.

We have not sought and will not seek any ruling from the Internal Revenue Service (the “*IRS*”), or an opinion from counsel with respect to the U.S. federal income tax consequences discussed below. There can be no assurance that the tax consequences discussed below would be accepted by the IRS or a court. The authorities on which this summary is based are subject to various interpretations, and it is therefore possible that the federal income tax treatment may differ from the treatment described below.

We urge holders to consult with their own tax advisors as to any U.S. federal, state, local or foreign tax consequences applicable to them that could result from the Reverse Stock Split.

The Reverse Stock Split is intended to constitute a reorganization within the meaning of Section 368 of the Code and is not intended to be part of a plan to increase periodically a shareholder's proportionate interest in our earnings and profits. The discussion below assumes the Reverse Stock Split so qualifies.

## **Tax Consequences of the Reverse Stock Split to U.S. Holders**

### ***U.S. Holders Not Receiving Cash in the Reverse Stock Split***

A U.S. Holder that does not receive any cash in the Reverse Stock Split generally should not recognize any gain or loss with respect to the Reverse Stock Split for U.S. federal income tax purposes, and generally should have the same adjusted tax basis and holding period in its Common Stock as such holder had immediately prior to the Reverse Stock Split.

A U.S. Holder's aggregate tax basis in the shares of Common Stock exchanged in the Reverse Stock Split generally must be allocated to each share of Common Stock received in the Reverse Stock Split in a manner that reflects, to the greatest extent possible, that the shares of Common Stock received are received in respect of shares of Common Stock that were acquired on the same date and at the same price. To the extent it is not possible to allocate basis in this manner (for example, because the number of shares of Common Stock held by a U.S. Holder that were acquired on the same date and at the same price could not be exchanged for a whole number of shares in the Reverse Stock Split), the basis of the Common Stock exchanged must be allocated to the Common Stock received in a manner that minimizes the disparity in the holding periods of the exchanged Common Stock whose basis is allocated to any particular Common Stock received.

### ***U.S. Holders Receiving Cash in Exchange for Common Stock in the Reverse Stock Split***

A U.S. Holder's receipt of cash in exchange for Common Stock in the Reverse Stock Split generally will be a taxable transaction to such holder for U.S. federal income tax purposes. Under the stock redemption rules of Section 302 of the Code (referred to herein as the "**Section 302 tests**"), a U.S. Holder's exchange of Common Stock for cash in the Reverse Stock Split generally should be treated as a "sale or exchange" of such stock if the exchange (1) results in a "complete termination" of such holder's interest in us, (2) is "substantially disproportionate" with respect to such holder or (3) is "not essentially equivalent to a dividend" with respect to such holder. Each of the Section 302 tests is described in more detail below.

In determining whether any of the Section 302 tests is satisfied, a U.S. Holder must take into account both Common Stock actually owned by such holder and any Common Stock considered as owned by such holder by reason of certain constructive ownership rules in the Code. Under these rules, a U.S. Holder generally will be considered to own Common Stock which such holder has the right to acquire pursuant to the exercise of an option or warrant or by conversion or exchange of a security. A U.S. Holder generally will also be considered to own Common Stock that is owned (and, in some cases, constructively owned) by some members of such holder's family and by some entities (such as corporations, partnerships, trusts and estates) in which such holder, a member of such holder's family or a

related entity has an interest.

If any of the Section 302 tests is satisfied with respect to a U.S. Holder, and an exchange of Common Stock for cash is therefore treated as a sale or exchange for U.S. federal income tax purposes, such holder generally should recognize gain or loss equal to the difference between the amount of cash received by such holder and such holder's adjusted tax basis in the Common Stock exchanged for cash in the Reverse Stock Split. Gain or loss must be calculated separately with respect to each block of shares of Common Stock exchanged in the Reverse Stock Split. Any gain or loss generally will be capital gain or loss and generally will be long-term capital gain or loss if the relevant shares of Common Stock have been held for more than one year on the date of the Reverse Stock Split. Currently, the maximum long-term capital gain rate for individual U.S. Holders is 20%; certain non-corporate U.S. Holders may be subject to an additional 3.8% Medicare tax. Certain limitations apply to the deductibility of capital losses.

Conversely, if none of the Section 302 tests is satisfied with respect to a U.S. Holder, such holder generally should be treated as having received a distribution from us in an amount equal to the cash received by such holder in the Reverse Stock Split, in which case the distribution may be taxable as a dividend to the extent of such holder's share of our earnings and profits. To the extent that the amount of a distribution received by a U.S. Holder with respect to the Reverse Stock Split exceeds such holder's share of our current and accumulated earnings and profits, the excess generally should be treated as a tax-free return of capital to the extent of such holder's adjusted tax basis in the Common Stock exchanged in the Reverse Stock Split and any remainder generally should be treated as capital gain from the sale or exchange of the Common Stock. To the extent that a U.S. Holder's exchange of Common Stock for cash in the Reverse Stock Split is treated as a dividend, such holder's adjusted tax basis in the Common Stock exchanged therefor may be added to the tax basis of any Common Stock retained by such holder.

### ***Section 302 Tests***

A U.S. Holder's exchange of Common Stock for cash in the Reverse Stock Split must satisfy one of the following tests to be treated as a sale or exchange for U.S. federal income tax purposes:

Complete Termination. A U.S. Holder's exchange of Common Stock for cash in the Reverse Stock Split generally will result in a "complete termination" of such holder's interest in us if, in connection with the Reverse Stock Split, either (i) all of the Common Stock actually and constructively owned by such holder is exchanged for cash, or (ii) all of the shares of Common Stock actually owned by such holder is exchanged for cash, and, with respect to constructively owned shares of Common Stock, such holder is eligible to waive (and effectively waives) constructive ownership of all such Common Stock under procedures described in Section 302(c) of the Code.

Substantially Disproportionate Redemption. A U.S. Holder's exchange of Common Stock for cash in the Reverse Stock Split generally will be "substantially disproportionate" with respect to such holder if, among other things, immediately after the exchange (i.e., treating all Common Stock exchanged for cash in the Reverse Stock Split as no longer outstanding), (i) such holder's percentage ownership of our voting stock is less than 80% of such holder's percentage ownership of our voting stock immediately before the exchange (i.e., treating all Common Stock exchanged for cash in the Reverse Stock Split as outstanding), and (ii) such holder owns less than 50% of the total combined voting power of all classes of our stock entitled to vote. For purposes of these percentage ownership tests, a holder will be considered as owning Common Stock owned directly as well as indirectly through application of the constructive ownership rules described above.

Not Essentially Equivalent to a Dividend. In order for a U.S. Holder's exchange of Common Stock for cash in the Reverse Stock Split to qualify as "not essentially equivalent to a dividend," such holder must experience a "meaningful reduction" in its proportionate interest in us as a result of the exchange, taking into account the constructive ownership rules described above. Whether a U.S. Holder's exchange of Common Stock pursuant to the Reverse Stock Split will result in a "meaningful reduction" of such holder's proportionate interest in us will depend on such holder's particular facts and circumstances. The IRS has indicated in a published ruling that even a small reduction in the proportionate interest of a small minority shareholder in a publicly held corporation who exercises no control over corporate affairs

may constitute a “meaningful reduction.”

Each U.S. Holder is urged to consult its own tax advisor as to the application of the Section 302 tests to such holder under its particular circumstances.

***Tax Consequences of the Reverse Stock Split to Non-U.S. Holders***

The U.S. federal income tax rules governing Non-U.S. Holders are complex, and the following is a limited summary of some general rules applicable to certain Non-U.S. Holders with respect to the Reverse Stock Split. Each Non-U.S. Holder is urged to consult its own tax advisor regarding the U.S. federal, state, local and foreign tax consequences to such holder of the Reverse Stock Split.

A Non-U.S. Holder that does not receive any cash in the Reverse Stock Split generally should not recognize any gain or loss with respect to the Reverse Stock Split for U.S. federal income tax purposes.

A payment to a Non-U.S. Holder in the Reverse Stock Split that is treated as a distribution to such holder with respect to its Common Stock as described above generally will be subject to U.S. federal income tax withholding at a 30% rate.

If a Non-U.S. Holder's exchange of Common Stock for cash in the Reverse Stock Split is treated as a sale or exchange, rather than as a distribution, for U.S. federal income tax purposes, such holder generally should not be subject to U.S. federal income tax on the exchange, unless (1) in the case of a nonresident alien individual, the individual is present in the United States for 183 days or more in the taxable year of the exchange and certain other conditions are satisfied, or (2) the gain is effectively connected with a U.S. trade or business of such holder, and, if required by an applicable income tax treaty, the gain is attributable to a permanent establishment maintained by such holder in the United States. A Non-U.S. Holder that is a corporation and whose gain is effectively connected with the conduct of a trade or business within the United States also may be subject to a branch profits tax at a 30% rate (or such lower rate specified by an applicable income tax treaty).

***U.S. Federal Income Tax Withholding Requirements***

Because a transfer agent may not be able to determine whether a payment of cash to any particular Non-U.S. Holder should be treated as a distribution or as a sale or exchange under one of the Section 302 tests described above, the transfer agent may withhold U.S. federal income taxes equal to 30% of any gross payments made to a Non-U.S. Holder with respect to the Reverse Stock Split, unless such holder properly demonstrates that a reduced rate of U.S. federal income tax withholding or an exemption from such withholding is applicable. For example, an applicable



income tax treaty may reduce or eliminate U.S. federal income tax withholding, in which case an individual Non-U.S. Holder claiming a reduction in (or exemption from) such tax must provide the transfer agent with a properly completed IRS Form W-8BEN or W-8BEN-E, as applicable, claiming the applicable treaty benefit. Alternatively, an exemption generally should apply if the Non-U.S. Holder's gain is effectively connected with a U.S. trade or business of such holder, and such holder provides the transfer agent with an appropriate statement to that effect on a properly completed IRS Form W-8ECI. If the transfer agent does withhold U.S. federal income taxes and a Non-U.S. Holder satisfies one of the Section 302(b) tests above, such a Non-U.S. Holder may be eligible to obtain a refund of all or a portion of any tax withheld in accordance with applicable Treasury Regulations.

In addition, to prevent backup U.S. federal income tax withholding equal to 28% of the gross payments made to a holder of our Common Stock in the Reverse Stock Split, each U.S. Holder who does not otherwise establish an exemption from backup withholding must provide the transfer agent with such holder's correct taxpayer identification number ("*TIN*") or certify that such holder is awaiting a TIN, and provide certain other information by completing, under penalties of perjury, the Form W-9 included in the letter of transmittal. Non-U.S. Holders should complete and sign the appropriate IRS Form W-8, a copy of which may be obtained from the transfer agent, in order to avoid backup withholding with respect to payments made to such holders in the Reverse Stock Split.

**THE FOREGOING IS A SUMMARY OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE REVERSE STOCK SPLIT UNDER CURRENT LAW AND IS FOR GENERAL INFORMATION ONLY. THE FOREGOING DOES NOT PURPORT TO ADDRESS ALL U.S. FEDERAL INCOME TAX CONSEQUENCES OR TAX CONSEQUENCES THAT MAY ARISE UNDER THE TAX LAWS OF OTHER JURISDICTIONS OR THAT MAY ARISE UNDER THE TAX LAWS OF OTHER JURISDICTIONS OR THAT MAY APPLY TO PARTICULAR CATEGORIES OF SHAREHOLDERS. YOU SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE REVERSE STOCK SPLIT TO SUCH SHAREHOLDER, INCLUDING THE APPLICATION OF U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS, AND THE EFFECT OF POSSIBLE CHANGES IN TAX LAWS THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED ABOVE.**

### **Impact of Potential Reverse Stock Split Upon Other Data Contained in this Proxy Statement**

Unless indicated to the contrary, the data contained in this proxy statement does not reflect the impact of any reverse stock split that may be effected pursuant to the terms of Proposal No. 4.

### **No Appraisal Rights**

Under the BCA, our shareholders are not entitled to dissenters' rights or appraisal rights with respect to the Reverse Stock Split, and we will not independently provide shareholders with any such right.

### **Voting Agreements with the Company**

In connection with the entry into the Second Lien Loan Agreement, the Second Lien Lenders that are current shareholders and who held approximately 75% of the outstanding shares of Common Stock prior to entry into the Second Lien Loan Agreement agreed with the Company to vote all shares of the Company's Common Stock held by them or their affiliates that are eligible to be voted in favor of such actions as are necessary to obtain approval of Proposal No. 4. In addition, in connection with the entry into the Common Stock Purchase Agreement, the Common Stock Purchasers (some of which also constitute Second Lien Lenders) that are shareholders as of the Record Date and who held approximately 67% of the outstanding shares of Common Stock prior to entry into the Common Stock Purchase Agreement, agreed with the Company to vote all shares of the Company's Common Stock held by them or their affiliates that are eligible to be voted in favor of approval of Proposal No. 4.

The Company has been informed that certain of the Second Lien Lenders, in satisfaction of their voting agreement obligations under the Second Lien Loan Agreement, as applicable, intend to grant the Board of Directors an Irrevocable Proxy to vote all of their shares of Common Stock eligible to be voted in connection with Proposal No. 4. As of the date hereof, the Company has received an Irrevocable Proxy from one of the Second Lien Lenders (and its affiliates) in connection with Proposal No. 4.

**Vote Required**

Approval of Proposal No. 4 requires the affirmative vote of the majority of the total number of shares of the Company's Common Stock issued and outstanding and entitled to vote.

**Recommendation of the Board of Directors**

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE **FOR** PROPOSAL NO. 4, THE APPROVAL OF AN AMENDMENT TO THE ARTICLES OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT.

## PROPOSAL NO. 5

### **APPROVAL, FOR PURPOSES OF COMPLYING WITH NASDAQ LISTING RULE 5635(D), OF THE ISSUANCE OF SHARES OF OUR COMMON STOCK IN CONNECTION WITH THE ENTRY INTO THE COMMON STOCK PURCHASE AGREEMENT IN AN AMOUNT EQUAL TO 20% OR MORE OF OUR COMMON STOCK OUTSTANDING BEFORE THE ISSUANCE OF SUCH SHARES**

#### **General**

As previously reported on our Current Report on Form 8-K filed with the SEC on July 5, 2016, on July 1, 2016, the Company entered into the Common Stock Purchase Agreement with the Common Stock Purchasers. The Common Stock Purchasers include certain of our existing shareholders, who held approximately 67% of our outstanding equity prior to entry into the Common Stock Purchase Agreement and prior to giving effect to the delivery of all of the 2L Shares. The Common Stock Purchase Agreement provides for the issuance and sale by the Company to the Common Stock Purchasers of an aggregate amount of \$85 million of Common Stock (the “*Private Placement Common Shares*”). If Proposals No. 3, No. 4 and No. 5 are approved, and assuming the approval of Proposals No. 1 and No. 2 and the delivery of the 2L Shares, the shares of Common Stock issued under the Common Stock Purchase Agreement will represent approximately 60.1% of the Company’s outstanding Common Stock after such issuance, which will have the effect of significantly diluting our existing shareholders. The Private Placement Common Shares will be issued pursuant to the private placement exemption from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act. Subject to the approval of Proposals No. 3, No. 4, No. 5 and No. 6 by our shareholders, the Company will issue and deliver up to 11,333,333 shares of Common Stock (which amount does not include the shares subject to shareholder approval under Proposals No. 1 or No. 2 and assumes the Reverse Stock Split under Proposal No. 4 is effected at a 1-for-50 exchange ratio), representing more than 20% of the Company’s outstanding Common Stock, to the Common Stock Purchasers. After giving effect to the Reverse Stock Split under Proposal No. 4 and upon completion of the Common Stock Private Placement, and after giving effect to the other transactions contemplated in this proxy statement, we expect our aggregate issued and outstanding shares of Common Stock to be approximately 681,000,000.

#### **Purpose and Background for Shareholder Approval**

Our Common Stock is listed on the NASDAQ Global Select Market and, as such, we are subject to the NASDAQ Stock Market Rules. NASDAQ Listing Rule 5635(d) requires shareholder approval when, in connection with a transaction other than a public offering, a transaction involves the issuance by a company of common stock equal to 20% or more of the common stock outstanding before such issuance.

In compliance with NASDAQ Listing Rule 5635(d), the Common Stock Purchase Agreement includes as a condition precedent to the closing of the offering and the issuance of the Private Placement Common Shares the approval of this Proposal No. 5 by the Company's shareholders.

In order to comply with NASDAQ Listing Rule 5635(d) and to satisfy the closing conditions under the Common Stock Purchase Agreement, we are seeking shareholder approval of the issuance of more than 20% of our outstanding Common Stock. A vote "**FOR**" Proposal No. 5 will constitute approval of the issuance of the Private Placement Common Shares.

### **Potential Effects of Approving Proposal No. 5**

If Proposals No. 3, No. 4, No. 5 and No. 6 are approved, and assuming the approval of Proposals No. 1 and No. 2 and the delivery of the 2L Shares, the shares of Common Stock issued under the Common Stock Purchase Agreement will represent approximately 60.1% of the Company's outstanding Common Stock after such issuance, which will have the effect of significantly diluting our existing shareholders that are not Common Stock Purchasers. Specifically, the issuance of the Private Placement Common Shares has the effect of reducing the interest of the existing shareholders that are not Common Stock Purchasers with respect to earnings per share, voting power, liquidation value and book and market value per share. Any additional equity or certain convertible debt or other financings in the future could result in further dilution to our shareholders. Additionally, sales in the public market of the shares of Common Stock issued to the Common Stock Purchasers or the perception that such sales could occur, could adversely affect the prevailing market price of our Common Stock and impair our ability to raise funds in additional stock financings. Holders of the Company's Common Stock are not entitled to preemptive rights with respect to any issuance of additional Common Stock, including pursuant to the Common Stock Private Placement.

### **Voting Agreements with the Company**

In connection with the entry into the Common Stock Purchase Agreement, the Common Stock Purchasers that are current shareholders and who hold approximately 68% of the outstanding shares of Common Stock prior to entry into the Common Stock Purchase Agreement agreed with the Company to vote all shares of Common Stock held by them or their affiliates that are eligible to be voted in favor of such actions as are necessary to obtain approval of Proposal No. 5.

### **Vote Required**

Approval of Proposal No. 5 requires the affirmative vote of the holders of a majority of the shares of our Common Stock present in person, or represented by proxy, at the Special Meeting and entitled to vote.

### **Recommendation of the Board of Directors**

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE **"FOR"** PROPOSAL NO. 5, THE APPROVAL, FOR PURPOSES OF COMPLYING WITH NASDAQ LISTING RULE 5635(D), OF THE ISSUANCE OF SHARES OF OUR COMMON STOCK, IN CONNECTION WITH THE ENTRY INTO THE COMMON STOCK PURCHASE AGREEMENT IN AN AMOUNT EQUAL TO 20% OR MORE OF

OUR COMMON STOCK OUTSTANDING BEFORE THE ISSUANCE OF SUCH SHARES.



## PROPOSAL NO. 6

### **APPROVAL, FOR PURPOSES OF COMPLYING WITH NASDAQ LISTING RULE 5635(C), OF THE ISSUANCE OF SHARES OF OUR COMMON STOCK, IN CONNECTION WITH THE ENTRY INTO THE COMMON STOCK PURCHASE AGREEMENT TO CERTAIN DIRECTORS AND OFFICERS OF THE COMPANY**

#### **General**

As described in Proposal No. 5 above, on July 1, 2016, Eagle Shipping entered into the Common Stock Purchase Agreement with the Common Stock Purchasers. Paul Leand, Jr., our Chairman, and Gary Vogel, our Chief Executive Officer and a director, are two of the Common Stock Purchasers to be issued Private Placement Common Shares. Subject to the approval of Proposals No. 3, No. 4 and No. 6 by our shareholders, and that the Reverse Stock Split is effected at a 1-for-50 exchange ratio, the Company will issue and deliver 26,666 shares of Common Stock to Messrs. Leand and Vogel (the “*D&O Private Placement Issuance*”).

#### **Purpose and Background for Shareholder Approval**

Our Common Stock is listed on the NASDAQ Global Select Market and, as such, we are subject to the NASDAQ Stock Market Rules. NASDAQ Marketplace Rule 5635(c) requires shareholder approval for certain equity compensation arrangements involving the issuance of common stock by a company to its officers, directors, employees, or consultants. Under NASDAQ interpretations of Rule 5635(c), such issuance of common stock in a private placement at a price less than the market value of the stock is considered a form of “equity compensation” and requires shareholder approval. For this purpose, market value is the closing bid price immediately preceding the time the company enters into a binding agreement to issue the securities.

Consequently, in order to comply with NASDAQ Listing Rule 5635(c) and to satisfy the closing conditions under the Common Stock Purchase Agreement, we are seeking shareholder approval of the issuance of shares of Common Stock to Messrs. Leand and Vogel. A vote “**FOR**” Proposal No. 6 will constitute approval of the Director and Officer Private Placement Issuance.

#### **Interests of the Company’s Directors and Executive Officers in the Proposal**

As participants in the Common Stock Private Placement, Messrs. Leand and Vogel each purchased 13,333 shares of the Company's Common Stock, such amounts calculated based on shareholder approval of Proposals No. 3 and No. 4 and assuming that the Reverse Stock Split is effected at a 1-for-50 exchange ratio. The following table shows Messrs. Leand and Vogel's existing ownership of our shares of Common Stock, taking into account the amount of Private Placement Common Shares to be issued to them in connection with their participation in the Common Stock Private Placement, as well as the amount of 2L Shares to be issued to them in connection with their participation in the Second Lien Facility.

Name and Title	Shares Beneficially Owned	Beneficial Ownership as a Percentage of Class <sup>(1)</sup>	2L Shares	Private Placement Common Shares assuming a 1-for-50 exchange ratio	Pro Forma Shares Beneficially Owned assuming a 1-for-50 exchange ratio	Pro Forma Ownership as a Percentage of Class <sup>(2)</sup>	
Paul Leand, Jr., Chairman	—	—	984,536	13,333	33,024	0.2	%
Gary Vogel, CEO and director <sup>(3)</sup>	325,000	0.8	% 984,536	13,333	39,524	0.2	%
<b>TOTAL</b>	325,000	0.8	% 1,969,072	26,666	72,548	0.4	%

(1) Based on 38,287,504 common shares outstanding as of March 30, 2016, prior to giving effect to the transactions under the Second Lien Loan Agreement.

(2) Pro Forma Ownership percentage based on 18,855,014 common shares outstanding, assuming shareholder approval of Proposals No. 1, No. 2, No. 3, No. 4 (assuming the Board of Directors effects the maximum reverse stock split ratio), No. 5 and No. 6 and that all 2L Shares expected to be issued to the Second Lien Lenders and all Private Placement Common Shares expected to be issued to the Common Stock Purchasers are issued and outstanding. It is not expected that there will be any incremental lenders under the Second Lien Loan Agreement to whom 2L Shares may be issued.

(3) Mr. Vogel's beneficial ownership represents 325,000 shares of our Common Stock included in Mr. Vogel's unvested restricted stock awards granted under the 2014 Eagle Bulk Shipping Inc. Equity Incentive Plan.

### Potential Effects of Approving Proposal No. 6

Assuming shareholder approval of the D&O Private Placement Issuance is obtained, and that the Reverse Stock Split is approved and effected at a 1-for-50 exchange ratio, 26,666 shares of additional Common Stock will be issued and outstanding, diluting our existing shareholders that did not participate in the Common Stock Purchase Agreement. Any additional equity, convertible debt or other financings in the future could result in further dilution to our existing shareholders that did not participate in the Common Stock Purchase Agreement. Additionally, sales in the public market of the shares of Common Stock issued to our management and directors or the perception that such sales could occur, could adversely affect the prevailing market price of our Common Stock and impair our ability to raise funds in additional stock financings. Holders of the Company's Common Stock are not entitled to preemptive rights with respect to any issuance of additional Common Stock.

### Voting Agreements with the Company

In connection with the entry into the Common Stock Purchase Agreement, the Common Stock Purchasers that are current shareholders and who hold approximately 68% of the outstanding shares of Common Stock prior to entry into the Common Stock Purchase Agreement agreed with the Company to vote all shares of Common Stock held by them or their affiliates that are eligible to be voted to obtain approval of Proposal No. 6.

**Vote Required**

Approval of Proposal No. 6 requires the affirmative vote of the holders of a majority of the shares of our Common Stock present in person, or represented by proxy, at the Special Meeting and entitled to vote.

**Recommendation of the Board of Directors**

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE “**FOR**” PROPOSAL NO. 6, THE APPROVAL, FOR PURPOSES OF COMPLYING WITH NASDAQ LISTING RULE 5635(C), OF THE ISSUANCE OF SHARES OF OUR COMMON STOCK, IN CONNECTION WITH THE ENTRY INTO THE COMMON STOCK PURCHASE AGREEMENT, TO CERTAIN DIRECTORS AND OFFICERS OF THE COMPANY.

## PROPOSAL NO. 7

### APPROVAL OF AN AMENDMENT TO THE ARTICLES OF INCORPORATION TO AUTHORIZE 25,000,000 SHARES OF PREFERRED STOCK

#### General

On May 25, 2016, our Board of Directors approved and is hereby soliciting shareholder approval of an amendment to Article FOURTH of the Articles of Incorporation to authorize 25,000,000 shares of the Company's Preferred Stock (the "*Preferred Share Authorization*"). A vote "**FOR**" Proposal No. 7 will constitute approval of the Preferred Share Authorization.

If the shareholders approve Proposal No. 7, the Board of Directors will have the authority to effect the Preferred Share Authorization by filing articles of amendment to the Articles of Incorporation (the "*Authorized Preferred Share Amendment*") with the Registrar of Corporations. If the Authorized Preferred Share Amendment has not been filed with the Registrar of Corporations within one year after shareholder approval of Proposal No. 7, the Board of Directors will abandon the Preferred Share Authorization, although if approved by the shareholders, the Company intends to promptly file the Authorized Preferred Share Amendment in order to consummate the Preferred Stock Private Placement (as defined below).

#### Purpose and Background for Shareholder Approval

As previously reported on our Current Report on Form 8-K filed with the SEC on May 27, 2016, on May 26, 2016, the Company entered into a Preferred Stock Purchase Agreement (the "*Preferred Stock Purchase Agreement*") with certain investors named therein (the "*Preferred Stock Purchasers*"), pursuant to which the Company agreed to issue to the Preferred Stock Purchasers in a private placement (the "*Preferred Stock Private Placement*") shares of the Company's 15% Cumulative Nonparticipating Redeemable Series A Preferred Stock (the "*Series A Preferred Stock*"). The Series A Preferred Stock will be issued pursuant to the private placement exemption from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act.

Our Articles of Incorporation currently includes provisions and terms associated with the Company's issuance of blank check preferred stock but does not specify the total number of shares of Preferred Stock that the Company is authorized to issue as required by Section 28(e) of the BCA. Consequently, the Board of Directors is seeking the Preferred Stock Authorization to permit the Company to issue Preferred Stock from time to time and so that it may

consummate the Preferred Stock Private Placement, which closing and the issuance of the Series A Preferred Stock thereunder is subject to the approval by the shareholders of the Authorized Preferred Share Amendment to specify the total number of shares of Preferred Stock.

Preferred Stock enhances the Company's ability to finance the development and operation of its business. Potential uses of Preferred Stock may include public or private offerings (including the Preferred Stock Private Placement), conversions of convertible securities, issuance of options pursuant to employee benefit plans, acquisition transactions and other general corporate purposes. Preferred Stock provides the Company greater flexibility and allows the Company to issue such shares in most cases without the expense or delay of seeking shareholder approval. Except for the Preferred Stock Private Placement, the Company has no present plans, commitments or understandings in place with regard to the use of such shares, but there can be no assurance that we will not develop such plans in the future, and the Company may in the future issue shares of its Preferred Stock in connection with financing transactions and other corporate purposes that our Board of Directors believes will be in the best interest of the Company's shareholders.

## **The Authorized Preferred Share Amendment**

Approval of Proposal No. 7 would be implemented by replacing paragraph (a)(ii) of Article FOURTH of the Articles of Incorporation with the following:

(ii) twenty-five million (25,000,000) shares of preferred stock, par value US\$0.01 per share, subject to the limitations set forth herein (the "Preferred Stock")

## **Effective Date**

The Preferred Share Authorization, if approved by our shareholders, would become effective upon the filing or such later time as specified in the filing of the Authorized Preferred Share Amendment with the Registrar of Corporations.

## **Potential Effects of Approving Proposal No. 7**

The Preferred Stock to be authorized would, when issued, be in one or more classes or series, and have such voting powers, full or limited, or no voting powers, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such class or series, including, without limitation, the authority to provide that any such class or series may be (i) subject to redemption at such time or times and at such price or prices; (ii) entitled to receive dividends (which may be cumulative or non-cumulative) at such rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series; (iii) entitled to such rights upon the dissolution of, or upon any distribution of the assets of, the Company; or (iv) convertible into, or exchangeable for, shares of any other class or classes of stock, or of any other series of the same or any other class or classes of stock, of the Company at such price or prices or at such rates of exchange and with such adjustments. As such, the Preferred Stock would be available for issuance without further action by shareholders, except as may be required by applicable law or pursuant to the requirements of the exchange upon which the Company's securities may then be listed.

The Preferred Share Authorization would give the Board of Directors the flexibility to issue Preferred Stock on such terms and conditions as the Board of Directors deems to be in the best interests of the Company and its shareholders. The Preferred Share Authorization would also assure that the Company has shares of Preferred Stock available for general corporate needs and provide the Board of Directors with the necessary flexibility to issue Preferred Stock in connection with private placements or public offerings of equity securities or other financings and as consideration in



share exchanges, mergers or other acquisitions without the expense and delay incidental to obtaining shareholder approval of an amendment to the Articles of Incorporation at the time of such action.

The actual effect of the issuance of any shares of Preferred Stock upon the rights of holders of the Company's Common Stock cannot be stated until the Board of Directors determines the specific rights of the holders of such Preferred Stock. However, the effects might include, among other things, restricting dividends on the Common Stock, diluting the voting power of the Common Stock, diluting the equity interest of the existing holders of Common Stock if the Preferred Stock is convertible into Common Stock, reducing the market price of the Common Stock, or impairing the liquidation rights of the Common Stock, although the terms of the shares to be issued in the Preferred Stock Private Placement do not contemplate any such restrictions or provisions.

The Series A Preferred Stock is not convertible into Common Stock or any other securities of the Company and do not have any voting rights or permit the holders of such Preferred Stock to vote on any matters on which holders of the Common Stock are entitled to vote.

### **Potential Anti-Takeover Implications of the Preferred Share Authorization**

Any issuance of Preferred Stock with voting rights could, under certain circumstances, have the effect of delaying or preventing a change in control of the Company by increasing the number of outstanding shares entitled to vote and by increasing the number of votes required to approve a change in control of the Company. Shares of voting or convertible Preferred Stock could be issued, or rights to purchase such shares could be issued, to render more difficult or discourage an attempt to obtain control of the Company by means of a tender offer, proxy contest, merger or otherwise. The ability of the Board of Directors to issue such additional shares of Preferred Stock, with the rights and preferences it deems advisable, could discourage an attempt by a party to acquire control of the Company by tender offer or other means. Such issuances could therefore deprive shareholders of benefits that could result from such an attempt, such as the realization of a premium over the market price that such an attempt could cause.

Our Board of Directors did not propose the Preferred Stock Authorization for any defensive or anti-takeover purpose, for the purpose of implementing any shareholder rights plan or with features specifically intended to make any attempted acquisition of the Company more difficult or costly. However, the Board of Directors could, in the exercise of its fiduciary duties to the Company and its shareholders, determine to issue Preferred Stock for such purposes in the future. The Board of Directors may also issue Preferred Stock for capital-raising activities or other corporate purposes that have the effect of making an acquisition of the Company materially more difficult or costly. Except for the shares to be issued pursuant to the Preferred Stock Private Placement, the Company does not currently have any agreements, commitments or understandings with respect to the issuance of Preferred Stock that would be authorized upon approval of the proposed amendment.

### **Other Provisions that may affect the Acquisition of Control of the Company**

SEC rules also require that we discuss other provisions of our Articles of Incorporation and our By-Laws that could make the acquisition of control of the Company or the removal of our existing management more difficult, which include the following:

the Company does not provide for cumulative voting for directors;

our Board of Directors fixes the size of the Board of Directors within certain limits, may create new directorships and may appoint new directors to serve for the full term. The Board of Directors (or its remaining members, even though less than a quorum) also may fill vacancies on the Board of Directors occurring for any reason for the remainder of the term;

our Board of Directors may issue Preferred Stock without any vote or further action by the shareholders;

special meetings of shareholders may be called only by the Board of Directors and any one or more shareholders who beneficially owns, in the aggregate, 15% or more of the aggregate voting power of all then-outstanding shares of voting stock;

all shareholder actions must be taken at a regular or special meeting of the shareholders and cannot be taken by written consent without a meeting; and

the Company has advance notice procedures with respect to shareholder proposals and the nomination of candidates for election as directors, which generally require that shareholder proposals and nominations be provided to us between 60 and 90 days before the anniversary of our last annual meeting in order to be properly brought before a shareholder meeting.

These provisions are expected to discourage coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of the Company to first negotiate with our Board of Directors.

### **No Appraisal Rights**

Under the BCA, our shareholders are not entitled to dissenters' rights or appraisal rights with respect to the Preferred Stock Authorization, and we will not independently provide shareholders with any such right.

### **Voting Agreements with the Company**

In connection with the entry into the Preferred Stock Purchase Agreement, the Preferred Stock Purchasers that are current shareholders and who held approximately 62% of the outstanding shares of Common Stock prior to entry into the Preferred Stock Purchase Agreement severally agreed with the Company to vote all shares of the Company's Common Stock held by them or their affiliates that are eligible to be voted in favor of Proposal No. 7.

### **Vote Required**

Approval of Proposal No. 7 requires the affirmative vote of the holders of a majority of the shares of our Common Stock present in person, or represented by proxy, at the Special Meeting and entitled to vote.

### **Recommendation of the Board of Directors**

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE **“FOR”** PROPOSAL NO. 7, THE APPROVAL OF AN AMENDMENT TO THE ARTICLES OF INCORPORATION TO AUTHORIZE 25,000,000 SHARES OF PREFERRED STOCK.

## **PROPOSAL NO. 8**

**APPROVAL OF ONE OR MORE ADJOURNMENTS TO THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO ESTABLISH A QUORUM OR TO PERMIT FURTHER SOLICITATION OF PROXIES IF THERE ARE NOT SUFFICIENT VOTES AT THE TIME OF THE SPECIAL MEETING CAST IN FAVOR OF PROPOSALS NO. 1, NO. 2, NO. 3, NO. 4, NO 5., NO. 6. OR NO. 7.**

### **General**

At the Special Meeting, if there are insufficient proxies to approve Proposals No. 1, No. 2, No. 3, No. 4, No. 5, No. 6 or No. 7, shareholders may vote on a proposal to adjourn or postpone the Special Meeting to a later date to allow additional time to solicit additional proxies. The Board of Directors currently does not intend to propose adjournment at the Special Meeting if there are sufficient votes to approve Proposals No. 1, No. 2, No. 3, No. 4, No. 5, No. 6 or No. 7.

### **Vote Required**

Approval of Proposal No. 8 requires the affirmative vote of the holders of a majority of the shares of our Common Stock present in person, or represented by proxy, at the Special Meeting and entitled to vote.

### **Recommendation of the Board of Directors**

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE **“FOR”** PROPOSAL NO. 8, THE APPROVAL OF ONE OR MORE ADJOURNMENTS TO THE SPECIAL MEETING, IF NECESSARY OR APPROPRIATE, TO ESTABLISH A QUORUM OR TO PERMIT FURTHER SOLICITATION OF PROXIES IF THERE ARE NOT SUFFICIENT VOTES AT THE TIME OF THE SPECIAL MEETING CAST IN FAVOR OF PROPOSALS NO. 1, NO. 2, NO. 3, NO. 4, NO. 5 OR NO. 7.



## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company's outstanding Common Stock as of April 29, 2016 of:

each person, group or entity known to the Company to beneficially own more than 5% of our stock;

each of our Directors and Director nominees;

each of our Named Executive Officers; and

all of our Directors and executive officers as a group.

As of the Record Date and prior to giving effect to the transactions under the Second Lien Loan Agreement and the Common Stock Purchase Agreement, a total of 38,287,504 shares of Common Stock were outstanding and entitled to vote at the Special Meeting. Second Lien Lenders may not vote any of the 2L shares issued in connection with the transactions under the Second Lien Loan Agreement and Common Stock Purchasers may not vote any of the Private Placement Common Shares issued in the Common Stock Private Placement. After giving effect to the Initial Share Issuance, a total of 45,713,023 shares of Common Stock (the "***Pre-Shareholder Vote Pro Forma Shares***") were outstanding as of April 29, 2016. Although the figures in the beneficial ownership table below are based on the Pre-Shareholder Vote Pro Forma Shares, which do not include the possible effects of the Additional Share Issuance, the Director and Officer Issuance, the Common Stock Private Placement or the D&O Private Placement Issuance, the effects of such issuances are disclosed in the footnotes below. If shareholders approve Proposals No. 1, No. 2 and No. 3, the Additional Share Issuance, the Director and Officer Issuance and the Share Capital Increase, respectively, we will have 376,084,054 shares of Common Stock outstanding. If shareholders additionally approve Proposals No. 3, No. 4, No. 5 and No. 6, the Share Capital Increase the Reverse Stock Split, the Common Stock Private Placement and the Director and Officer Private Placement Issuance, respectively, and assuming the Reverse Stock Split is effected at the maximum exchange ratio of 1-for-50, we will have 18,855,014 shares of Common Stock (the "***Post-Shareholder Vote Pro Forma Shares***") outstanding. The Post-Shareholder Vote Pro Forma Shares do not take into account any anti-dilution adjustments to securities exercisable into equity, including the Company's warrants that are currently issued and outstanding or the issuance of any shares of Common Stock to any incremental lenders for additional loans, if any, under the Second Lien Loan Agreement.

The amounts and percentages of Common Stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of that security, or "investment power," which includes the power to dispose of or to direct the disposition of that security. A person is also deemed to be a beneficial owner of any securities as to which that



person has a right to acquire beneficial ownership presently or within 60 days. Under these rules, more than one person may be deemed a beneficial owner of the same securities, and a person may be deemed to be the beneficial owner of securities as to which that person has no economic interest.

**Ownership of Common Stock**

<b>Name</b> <sup>(1)</sup>	<b>Shares Beneficially Owned</b>		
	<b>Number</b> <sup>(2)</sup>	<b>Percentage</b> <sup>(3)</sup>	
Gary Vogel <sup>(4)</sup>	325,000	*	
Adir Katzav <sup>(5)</sup>	173,362	*	
Randee E. Day	0	*	
Justin A. Knowles	0	*	
Paul M. Leand, Jr. <sup>(6)</sup>	0	*	
Stanley H. Ryan <sup>(7)</sup>	0	*	
Casey F. Shanley	0	*	
Bart Veldhuizen	0	*	
Gary Weston	0	*	
All Current Directors and Executive Officers as a group (9 persons)	498,362	1.1	%
Oaktree Capital Management, L.P. <sup>(8)</sup>	18,840,304	41.2	%
GoldenTree Asset Management LP <sup>(9)</sup>	7,395,814	16.2	%
Canyon Capital Advisors LLC <sup>(10)</sup>	4,338,898	9.5	%
Neuberger Berman Group LLC <sup>(11)</sup>	2,704,120	5.9	%
Strategic Value Partners, LLC <sup>(12)</sup>	2,589,942	5.7	%

\* Percentage less than 1% of class.

(1) Unless otherwise indicated, the business address of each beneficial owner identified is c/o the Company, 300 First Stamford Place, 5<sup>th</sup> Floor, Stamford, Connecticut 06902.

(2) Includes beneficial ownership of shares of Common Stock outstanding as well as beneficial ownership of shares issuable within 60 days following April 29, 2016 upon the exercise of outstanding equity securities, e.g., options, warrants, rights. However, amounts do not include anti-dilution adjustments to such securities.

(3) Unless otherwise indicated, based on the total of 45,713,023 shares of Common Stock outstanding as of April 29, 2016. In addition, for purposes of calculating the percentage of shares held by an individual or entity, the number of shares outstanding includes shares issuable within 60 days following April 26, 2016 upon the exercise of outstanding equity securities, e.g., options, warrants, rights, but, in each case, such shares are not included in the number of shares outstanding for purposes of computing the percentage of shares held by any other person. However, shares issuable within 60 days following April 29, 2016 upon the exercise of outstanding equity securities do not include anti-dilution adjustments to such securities.

(4)

Mr. Gary Vogel's beneficial ownership represents 325,000 shares of Common Stock included in Mr. Vogel's unvested restricted stock awards granted under the Equity Incentive Plan. Assuming shareholder approval of Proposal No. 2, Mr. Vogel will be issued and delivered 984,536 additional shares of Common Stock and will beneficially own a total of 1,309,536 shares of Common Stock before the effect of any Reverse Stock Split. Assuming shareholder approval of Proposal No. 6, which is contingent on shareholder approval of Proposals No. 3 and No. 4, and further assuming that the Reverse Stock Split is effected at the maximum exchange ratio of 1-for-50, Mr. Vogel will be issued and delivered 13,333 additional shares of Common Stock and will beneficially own a total of 39,524 shares of Common Stock.

(5) Mr. Adir Katzav's beneficial ownership represents 13,401 shares of Common Stock, 82,500 shares of Common Stock in the form of unvested restricted stock awards, 1,836 shares of Common Stock issuable upon exercise of warrants and 75,625 shares of Common Stock issuable upon exercise of options. All amounts are before the effect of any Reverse Stock Split.

(6) Assuming shareholder approval of Proposal No. 2, Mr. Paul M. Leand, Jr. will be issued and delivered 984,536 shares of Common Stock and will beneficially own a total of 984,536 shares of Common Stock before the effect of any Reverse Stock Split. Assuming shareholder approval of Proposal No. 6, which is contingent on shareholder approval of Proposals No. 3 and No. 4, and further assuming that the Reverse Stock Split is effected at the maximum exchange ratio of 1-for-50, Mr. Leand will be issued and delivered 13,333 additional shares of Common Stock and will beneficially own a total of 33,024 shares of Common Stock.

(7) Resigned as a member of the Board of Directors effective June 24, 2016.

Information is based on information known to the company in connection with its obligations under the Second Lien Loan Agreement and a Schedule 13D/A filed by Oaktree Capital Management, L.P. on January 14, 2015. The Schedule 13D/A reports that the securities to which this filing relates are owned directly by OCM Opps EB Holdings, Ltd. (“**EB Holdings**”) and beneficially owned by EB Holdings, Oaktree Capital Management, L.P., Oaktree Holdings, Inc., Oaktree Capital Group, LLC and Oaktree Capital Group Holdings GP, LLC. According to the Schedule 13D/A, the address of the beneficial owners is c/o Oaktree Capital Group Holdings GP, LLC, 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071. Shares listed consist of (i) 15,707,277 shares of Common Stock, outstanding prior to the execution of the Second Lien Loan Agreement, (ii) 7,279 shares of Common Stock issuable upon exercise of the warrants issued and distributed by the Company to the reporting (8) persons in connection with the Company’s restructuring in October 2014 and (iii) 3,125,748 shares of Common Stock issued and delivered to funds managed by Oaktree Capital Management, L.P., as part of the Initial Share Issuance, based on its participation as a Second Lien Lender in the Second Lien Facility. Assuming shareholder approval of Proposal No. 1, funds managed by Oaktree Capital Management, L.P. will be issued and delivered 149,398,955 additional shares of Common Stock and will beneficially own a total of 168,239,259 shares of Common Stock before the effect of any Reverse Stock Split. Assuming shareholder approval of Proposal No. 5, which is contingent on shareholder approval of Proposals No. 3 and No. 4, and further assuming that the Reverse Stock Split is effected at the maximum exchange ratio of 1-for-50, funds managed by Oaktree Capital Management, L.P. will be issued and delivered 3,025,716 additional shares of Common Stock and will beneficially own a total of 6,390,501 shares of Common Stock.

Information is based on information known to the Company in connection with its obligations under the Second Lien Loan Agreement, a Schedule 13D filed by GoldenTree Asset Management LP on April 11, 2016 and a series of filings on Form 3, filed on April 1, 2016 and Form 4, filed on April 1, 2016, updating the information presented in the Schedule 13G/A filed on February 16, 2016. According to the Schedule 13D, GoldenTree Asset Management LP, GoldenTree Asset Management LLC, GoldenTree Master Fund, Ltd. and Mr. Tananbaum have beneficial ownership of the securities to which the filing relates. According to the Schedule 13G/A, the address of the beneficial owners is 300 Park Avenue, 21st Floor, New York, NY 10022. Shares listed consist of (i) 5,895,175 shares of Common Stock, outstanding prior to the execution of the Second Lien Loan Agreement, (ii) 3,468 shares of Common Stock issuable upon exercise of the warrants issued and distributed by the Company to the reporting (9) persons in connection with the Company’s restructuring in October 2014, (iii) 54,963 shares of Common Stock held directly by Mr. Steven A. Tananbaum, and (iv) 1,442,208 shares of Common Stock issued and delivered to funds managed by GoldenTree Asset Management LP, as part of the Initial Share Issuance, based on its participation as a Second Lien Lender in the Second Lien Facility. Assuming shareholder approval of Proposal No. 1, funds managed by GoldenTree Asset Management LP will be issued and delivered 63,783,289 additional shares of Common Stock and will beneficially own a total of 71,179,103 shares of Common Stock before the effect of any Reverse Stock Split. Assuming shareholder approval of Proposal No. 5, which is contingent on shareholder approval of Proposals No. 3 and No. 4, and further assuming that the Reverse Stock Split is effected at the maximum exchange ratio of 1-for-50, funds managed by GoldenTree Asset Management LP will be issued and delivered 2,080,267 additional shares of Common Stock and will beneficially own a total of 3,503,849 shares of Common Stock.

(10) Information is based on a Schedule 13G/A filed by Canyon Capital Advisors LLC (“**Canyon**”) on February 12, 2016. According to the Schedule 13G/A, Canyon, Mitchell R. Julis and Joshua S. Friedman have beneficial ownership of the securities to which the filing relates. According to the Schedule 13G/A, the address of the beneficial owners is 2000 Avenue of the Stars, 11th Floor, Los Angeles, CA 90067. Canyon did not participate as a Second Lien Lender in the Second Lien Facility and will not receive any shares under the Second Lien Loan

Agreement. On a Schedule 13G/A filed by Canyon dated May 3, 2016, Canyon beneficially owned 187,434 shares of our Common Stock.

Information is based on information known to the Company in connection with its obligations under the Second Lien Loan Agreement and a Schedule 13G filed by Neuberger Berman Group LLC on February 9, 2016. According to the Schedule 13G, the address of the beneficial owners is 605 Third Avenue, New York, NY 10158. Shares listed consist of (i) 2,159,890 shares of Common Stock, outstanding prior to the execution of the Second Lien Loan Agreement and (ii) 544,230 shares of Common Stock issued and delivered to funds managed by Neuberger Berman Group LLC, as part of the Initial Share Issuance, based on its participation as a Second Lien Lender in the Second Lien Facility. The Schedule 13G reports that the securities to which this filing relates are (11) held directly by Neuberger Berman Group LLC, Neuberger Berman Investment Advisors LLC and Neuberger Berman LLC. Assuming shareholder approval of Proposal No. 1, funds managed by Neuberger Berman Group LLC will be issued and delivered 24,069,166 additional shares of Common Stock and will beneficially own a total of 26,773,286 shares of Common Stock before the effect of any Reverse Stock Split. Assuming shareholder approval of Proposal No. 5, which is contingent on shareholder approval of Proposals No. 3 and No. 4, and further assuming that the Reverse Stock Split is effected at the maximum exchange ratio of 1-for-50, funds managed by Neuberger Berman Group LLC will be issued and delivered 792,540 additional shares of Common Stock and will beneficially own a total of 1,328,006 shares of Common Stock.

Information is based on information known to the Company in connection with its obligations under the Second Lien Loan Agreement and a Schedule 13G/A filed by Strategic Value Partners, LLC on February 16, 2016. The Schedule 13G/A reports that the securities to which this filing relates are held directly by Strategic Value Master Fund, Ltd. ("**Fund I**"), Strategic Value Special Situations Master Fund II, L.P. ("**Fund II**"), Strategic Value Special Situations Master Fund III, L.P. ("**Fund III**"), and Strategic Value Special Situations Offshore Fund III-A, L.P. ("**Fund III-A**") and, collectively, the "**Funds**") and beneficially owned by the Funds, Strategic Value Partners, LLC, as the investment manager of Fund I, SVP Special Situations II LLC, as the investment manager of Fund II, SVP Special Situations III LLC, as the investment manager of Fund III, SVP Special Situations III-A LLC, as the investment manager of Fund III-A, and Victor Khosla. According to the Schedule 13G/A, the address of the beneficial owners is c/o Strategic Value Partners, LLC, 100 West Putnam Avenue, Greenwich, CT 06830. Shares listed consist of (i) 2,152,375 shares of Common Stock, outstanding prior to the execution of the Second Lien (12) Loan Agreement, (ii) 9,244 shares of Common Stock issuable upon exercise of the warrants issued and distributed by the Company to the reporting persons in connection with the Company's restructuring in October 2014 and (iii) 428,323 shares of Common Stock issued and delivered to funds managed by Strategic Value Partners, LLC, as part of the Initial Share Issuance, based on its participation as a Second Lien Lender in the Second Lien Facility. Assuming shareholder approval of Proposal No. 1, funds managed by Strategic Value Partners, LLC will be issued and delivered 18,943,052 additional shares of Common Stock and will beneficially own a total of 21,532,994 shares of Common Stock before the effect of any Reverse Stock Split. Assuming shareholder approval of Proposal No. 5, which is contingent on shareholder approval of Proposals No. 3 and No. 4, and further assuming that the Reverse Stock Split is effected at the maximum exchange ratio of 1-for-50, funds managed by Strategic Value Partners, LLC will be issued and delivered 639,993 additional shares of Common Stock and will beneficially own a total of 1,070,653 shares of Common Stock.

Assuming shareholder approval of Proposals No. 1, No. 2, No. 3, No. 4, No. 5 and No. 6, one of the Common Stock Purchasers that does not currently beneficially own more than 5% of our stock will be issued and delivered shares of Common Stock causing it to exceed the 5% threshold.



**Section 16(a) Beneficial Ownership Reporting Compliance**

Pursuant to Section 16(a) of the Exchange Act and the rules thereunder, the Company's executive officers and Directors and persons who own more than 10% of a registered class of the Company's equity securities are required to file with the SEC reports of their ownership of, and transactions in, the Company's Common Stock. Based solely on a review of copies of such reports furnished to the Company, and written representations that no reports were required, together with information known to the company based on its obligations under the Second Lien Loan Agreement, the Company believes that during the fiscal year ended December 31, 2015, its executive officers, Directors and 10% holders complied with the Section 16(a) requirements.

## **EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION & ANALYSIS**

#### **Introduction**

This Compensation Discussion and Analysis (“CD&A”) is a discussion of how we use different elements of compensation to achieve the objectives of our executive compensation program. This information should be read in conjunction with the data and associated narrative provided in the Summary Compensation Table and other tables following this CD&A. For 2015, the following individuals were our named executive officers:

Gary Vogel, Director and Chief Executive Officer.

Adir Katzav, Chief Financial Officer.

Stanley H. Ryan, Director and former interim Chief Executive Officer.

Sophocles N. Zoullas, former Chairman and Chief Executive Officer.

Alexis P. Zoullas, former Director and Chief Operating Officer.

#### **Compensation Objectives and Philosophy**

We believe that the leadership and proven talents of our executive team are essential for our continued success and sustained financial performance. The primary objectives of our compensation program are to attract and retain highly qualified personnel for positions of substantial responsibility, and to provide incentives for such persons to perform to the best of their abilities, achieve our strategic objectives, enable the Company to compete effectively in the seaborne transportation industry and to promote the success of our business. Therefore, our compensation program is designed to attract, motivate and retain executives who possess the talent, leadership and commitment needed to operate our business, create and implement new opportunities, anticipate and effectively respond to new challenges, and make and execute difficult decisions.



The Compensation Committee believes that the Company's compensation programs should:

Align the interests of our executives with those of our shareholders;

Encourage and reward achievement of the Company's annual and longer-term performance objectives;

Promote the long-term success of the Company through an appropriate balance of current and long-term compensation opportunities;

Differentiate pay based on individual and company performance;

Reflect the market and provide competitive compensation opportunities based on performance;

Make wise use of our equity resources to ensure compatibility between senior management and shareholder interests;  
and

Balance incentives for constructive risk management.

### **How Our Compensation Decisions Are Made**

The Company's executive compensation is determined by the Company's Compensation Committee.

#### *Role of the Board of Directors and Compensation Committee*

Our Board of Directors is responsible for establishing and administering our executive compensation and equity incentive programs. This duty of the Board of Directors has been delegated to the Compensation Committee in accordance with the Compensation Committee Charter. The Compensation Committee reviews executive performance to establish compensation and approves appropriate modifications to the named executive officers' compensation. The Committee also evaluates and recommends for approval by the Board of Directors, the annual compensation of the non-employee directors and oversees the equity compensation plans.



*Role of the Compensation Consultant*

In accordance with its Charter, the Compensation Committee has the authority to engage, retain and terminate a compensation consultant. The Committee also has the sole authority to approve the fees of such consultant. The Compensation Committee does not currently retain the services of a consultant and did not do so during 2015.

*Role of Management*

The Compensation Committee has sole authority to establish annual compensation for the Company's named executive officers, and none of the named executive officers determines his own pay. At the request of the Compensation Committee, our Chief Executive Officer provides recommendations regarding compensation of our other named executive officers during the annual compensation approval process and information regarding compensation trends within the seaborne transportation industry.

*Competitive Marketplace Assessment*

Most of our direct business competitors are foreign companies that are not required to disclose compensation information for their executive officers on an individual basis and detailed compensation data is therefore limited or unavailable. Additionally, the management structures of comparable organizations are often non-traditional, further complicating direct comparison of positions and responsibilities. To provide context and to ensure that Eagle Bulk arrangements are reasonable, the Committee does reference compensation arrangements for executives at other similarly sized companies in the shipping industry for whom compensation data is publicly available.

**Elements of the Company's Executive Compensation Program**

Our compensation program is comprised of two main elements:

Fixed compensation in the form of base salary.

Variable incentive compensation which is delivered in cash and equity.

## ***Fixed Compensation***

### *Base Salary*

Base salary provides a competitive rate of fixed pay and reflects different levels of responsibility within the Company, the skills and experience required for the job, individual performance and labor market conditions.

## ***Variable Incentive Compensation***

### *Annual Incentive Compensation*

Due to the cyclical and volatile nature of the business in which the Company competes, like most companies in the shipping industry, the Company does not set performance targets with respect to incentive compensation. Instead, the Compensation Committee considers performance across a wide range of quantitative, qualitative, operational and strategic measures and determines annual incentive compensation on a discretionary basis following a comprehensive assessment of the macro-economic environment, the Company's performance, and each executive's contribution to that performance. The Committee believes that this approach provides for greater flexibility to reward executives for quick thinking and decisive actions taken to better position the Company in scenarios which may be difficult to predict or anticipate given the extreme volatility of the dry bulk shipping market.

### *Role of Our Shareholders*

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act and SEC regulations, we submitted a non-binding proposal to our shareholders at our 2015 Annual Meeting, consisting of an advisory vote to approve the compensation of our named executive officers, or a say-on-pay vote. Shareholders approved the say-on-pay vote relating to our 2014 compensation. In light of the approval of the say-on-pay vote, the Compensation Committee did not make specific changes to our executive compensation program in response to the vote. The Compensation Committee intends to consider the outcome of the Company's say-on-pay vote when making future compensation decisions for the named executive officers.

*Long-Term Incentive Compensation – Equity Awards*

The Committee believes that the effective use of stock-based long-term incentive compensation has been integral to the Company's success in the past and is vital to its ability to achieve continued strong performance in the future and therefore delivers a portion of each executive's incentive compensation in the form of equity. These awards are intended to align the interests of executives with those of shareholders, enhance the personal stake of executive officers in the growth and success of the Company, provide an incentive for the executive officers' continued service at the Company, and provide an opportunity for executives to increase their stock ownership levels.

In accordance with the prepackaged reorganization plan, on October 15, 2014, the Company adopted the 2014 Equity Incentive Plan (the "2014 Plan"), which provides for equity-based compensation, including in the form of restricted shares of the Company's common stock and options to acquire shares of common stock. On October 15, 2014, in connection with the Company's emergence from bankruptcy, the Company granted equity-based compensation under the 2014 Plan to the participating senior management and other employees of the reorganized Company with 2% in the form restricted shares of the Company's common stock (on a fully diluted basis) as of such date, and two tiers of options to acquire 5.5% of the common stock (on a fully diluted basis) with different strike prices based on the equity value for the reorganized Company and a premium to the equity value, each of the foregoing to vest generally over a four year schedule through 25% annual installments commencing on the first anniversary of the grant date. The equity awards are subject to vesting, but the holders thereof are entitled to receive all dividends paid with respect to the underlying shares as if such shares had vested on the grant date (subject to forfeiture by the holder in the event that such grant is terminated prior to vesting unless the administrator of the 2014 Plan determines otherwise). The awards granted under the 2014 Plan contain adjustment provisions to reflect certain transaction involving shares of the Company's common stock, including as a result of any dividend, recapitalization, or stock split, so as to prevent any diminution or enlargement of the holder's rights under the award.

In addition, upon his commencement of employment with the Company, Mr. Vogel received 325,000 restricted shares of common stock of the Company, an option to purchase 325,000 shares of common stock at an exercise price per share equal to the fair market value of the common stock as of the grant date, and an option to purchase 325,000 shares of common stock at an exercise price per share equal to \$13.00, in each case, subject to the terms of the Company's 2014 Plan. The options shall have a five year term and shall vest ratably on each of the first four anniversaries of September 1, 2015, subject to Mr. Vogel's continued employment with the Company on each applicable vesting date. The restricted shares shall vest as to 100% of such restricted shares on September 1, 2018, subject to Mr. Vogel's continued employment with the Company on the vesting date, subject to adjustment in the event Mr. Vogel's employment is terminated by the Company without cause or by him for good reason, as set forth in his employment agreement.

*Special Awards*

From time to time, the Company also makes special cash incentive awards, as deemed appropriate by the Compensation Committee. The purpose of these payments is to recognize significant individual contributions that would not, in the view of the Compensation Committee, be fully accounted for under our annual compensation determinations. The amount of any special cash incentive award is determined and approved by the Compensation Committee. No named executive officer received a special award in 2015.

*Other Elements*

*Perquisites*

As a general matter, the Company does not provide perquisites for its executive officers.

*401(k) Savings Plan*

We provide all qualifying full-time employees with the opportunity to participate in our tax-qualified 401(k) savings plan. Our named executive officers participate in this plan on the same basis as our other full-time employees.

### *Employment Agreements*

We have entered into an employment agreement with our Chief Executive Officer. The terms of the agreement are described in greater detail under the section entitled "Agreements with our Chief Executive Officer."

### *Severance Benefits*

Under the terms of his employment agreement, our Chief Executive Officer is entitled to certain payments and benefits if we terminate his employment without cause or he terminates employment for good reason, as these terms are defined in his contract. These benefits and payments are described in greater detail in the section below entitled "Potential Payments Upon Termination or Change-in-Control."

### *Risk Assessment*

The Compensation Committee believes that the Company's compensation objectives and policies do not create risks that are reasonably likely to have a material adverse effect on the Company. Determinations regarding incentive compensation are based on a discretionary assessment of a variety of factors related to the performance of the Company and the contributions of each executive officer to that performance. Incentive compensation awards are not tied to formulas based on short-term performance, and no one factor disproportionately affects incentive amounts, which diversifies the risk associated with any single indicator of performance. A significant portion of each executive's total compensation is delivered in the form of equity that vests over multiple years, thereby aligning the interests of our executive officers with those of our shareholders. Compensation is determined by our Compensation Committee, which is comprised solely of independent members of our Board of Directors.

### *Section 162(m)*

Section 162(m) of the Internal Revenue Code of 1986, as amended, (the "Code"), limits the deductibility of compensation to certain employees in excess of \$1 million.

## **COMPENSATION COMMITTEE REPORT**

Our Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Disclosure and Analysis be included in this Report.

The Compensation Committee Consists of:

Bart Veldhuizen (Chairman)

Paul M. Leand Jr.

Gary Weston



**2015 SUMMARY COMPENSATION TABLE**

The following Summary Compensation Table sets forth the compensation of our executive officers, or the named executive officers, for the fiscal years ending on December 31, 2015, 2014 and 2013.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	Non-equity	All Other	Total (\$)	
						incentive plan compensation (\$)	Nonqualified deferred compensation earnings (\$)		Compensation (including special incentive award) (\$) <sup>(2)</sup>
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
<b>Gary Vogel</b> (Chief Executive Officer) <sup>(3)</sup>	2015	\$225,000	\$191,250	\$1,907,750	\$823,988	—	—	—	\$3,147,988
<b>Adir Katzav</b> (Chief Financial Officer)	2015	\$350,000	—	—	—	—	—	\$10,400	\$360,400
	2014	\$350,000	—	—	—	—	—	—	—