

Eagle Bulk Shipping Inc.
Form PRE 14A
September 30, 2011

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

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.

(Name of Registrant as Specified In Its Charter)

(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):

4) Proposed maximum aggregate value of transaction:

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

PRELIMINARY FILING

Eagle Bulk Shipping Inc.
477 Madison Avenue, Suite 1405
New York, New York 10022
(212) 785-2500

October , 2011

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 Seward & Kissel LLP, 23rd Floor, One Battery Park Plaza, New York, New York 10004 at 10:00 a.m., local time, on November , 2011 (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 the Special Meeting 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/ Sophocles N. Zoullas
Sophocles N. Zoullas
Chairman and Chief Executive Officer

Eagle Bulk Shipping Inc.
477 Madison Avenue, Suite 1405
New York, New York 10022
(212) 785-2500

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON NOVEMBER , 2011

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders (the “Special Meeting”) of Eagle Bulk Shipping Inc., a Marshall Islands corporation (“Eagle Bulk Shipping” or the “Company”), will be held on November , 2011, at 10:00 a.m., local time, at the offices of Seward & Kissel LLP, 23rd Floor, One Battery Park Plaza, New York, New York, 10004, for the following purposes:

- To approve an amendment to the Company’s Amended and Restated 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 one-for-three and one-for-ten inclusive, to be determined by the Company’s Board of Directors in its discretion, and to authorize the Company’s Board of Directors to implement the reverse stock split at any time prior to the Company’s 2012 Annual General Meeting of Shareholders by filing such amendment with the Registrar of Corporations of the Republic of the Marshall Islands; and
- to approve the Company’s 2011 Equity Incentive Plan.

The close of business on , 2011, has been fixed as the record date for determining those shareholders entitled to vote at the Special Meeting. Accordingly, only shareholders of record as of the close of business on that date are entitled to notice of, and to vote at, the Special Meeting or any adjournment or postponement thereof. A list of such shareholders will be available at the Special Meeting.

You are cordially invited to attend the Special Meeting. If you require directions to attend the Special Meeting, please send a written request to Alan S. Ginsberg, Secretary of Eagle Bulk Shipping Inc., at 477 Madison Avenue, Suite 1405, New York, New York 10022, telephone (212) 785-2500. All shareholders must present a form of personal photo identification in order to be admitted to the meeting. In addition, if your shares are held in the name of your broker, bank or other nominee and you wish to attend the Special Meeting, you must bring an account statement or letter from the broker, bank or other nominee indicating that you were the owner of the shares on , 2011.

Whether or not you expect to attend the Special Meeting, 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 hold your shares in your own name, you may submit a proxy by marking the enclosed proxy card, dating and signing it, and returning it in the enclosed envelope, or you may vote by telephone or Internet using the instructions provided on the enclosed proxy card. 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 those instructions carefully. You may also attend the Special Meeting and vote in person, even if you have previously submitted a proxy. Please note that if the holder of record of your shares is a broker, bank or other nominee and you wish to vote in person at the Special Meeting, you must request a legal proxy from your bank, broker or other nominee that holds your shares and present that proxy and proof of identification at the Special Meeting. You may revoke your proxy at any time before the vote is taken by delivering to the Corporate Secretary of the Company a written revocation or a proxy with a later

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date or by voting your shares in person at the Special Meeting, in which case your prior proxy would be disregarded.

If you have any questions regarding the Special Meeting, you may contact The Altman Group, Inc., our proxy solicitor for the Special Meeting, by telephone at 1 (800) 461-9313.

By Order of the Board of Directors,

/s/ Alan S. Ginsberg
Alan S. Ginsberg
Chief Financial Officer and Secretary

New York, New York
October , 2011

PRELIMINARY PROXY STATEMENT

Eagle Bulk Shipping Inc.
477 Madison Avenue, Suite 1405
New York, New York 10022
(212) 785-2500

PROXY STATEMENT
FOR THE SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD NOVEMBER , 2011

This proxy statement is furnished to shareholders of Eagle Bulk Shipping Inc. (“Eagle Bulk Shipping” or the “Company”) 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 Seward & Kissel LLP, 23rd Floor, One Battery Park Plaza, New York, New York 10004, on November , 2011, at 10:00 a.m., local time, and at any adjournment or postponement thereof.

This proxy statement, and the accompanying form of proxy, are first being mailed to shareholders on or about October , 2011.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

Why am I receiving these 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 as of , 2011. 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.

How can I receive an electronic copy of the proxy materials?

The Notice of the Special Meeting of Shareholders, this proxy statement and the form of proxy are available at www.proxyonline.us/docs/eaglebulkshipping.pdf, a website established specifically for access to such materials.

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 approve an amendment to the Company’s Amended and Restated 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 one-for-three and one-for-ten inclusive, to be determined by the Company’s Board of Directors in its discretion, and to authorize the Company’s Board of Directors to implement the reverse stock split at any time prior to the Company’s 2012 Annual

General Meeting of Shareholders by filing such amendment with the Registrar of Corporations of the Republic of the Marshall Islands (“Proposal No. 1”); and

- to approve the Company's 2011 Equity Incentive Plan ("Proposal No. 2").

Who is entitled to vote at the Special Meeting?

The Board of Directors has fixed the close of business on _____, 2011, as the record date (the "Record Date") for the determination of shareholders entitled to notice of, and to vote at, the Special Meeting. Only shareholders of record at the close of business on that 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 issued and outstanding 62,663,821 shares of common stock.

How Many Votes Do I Have?

Each common share outstanding on the Record Date 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 "FOR" Proposal No. 1 and "FOR" Proposal No. 2.

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 – You may submit your proxy by mail by marking, dating and signing the enclosed proxy card and returning it promptly in the enclosed envelope, or, for shares held in street name, by completing and mailing the voting instruction card sent to you by the holder of record.
- by Internet or by telephone – If you have telephone or Internet access and you hold your shares in your own name, you may submit your proxy by following the instructions provided on the enclosed proxy card. If you vote by Internet or by telephone, you do not need to return a proxy card. If you hold your shares in street name, please check your voting instruction card or contact your bank, broker or other nominee to determine whether you will be able to vote by Internet or telephone.

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 Investor Services LLC, 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 a "legal proxy" from your broker, nominee, or trustee that holds your shares, giving you the right to vote the shares at the meeting, and present that proxy and proof of identification at the Special 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 matters, including the approval of an amendment to the Company's Amended and Restated

Articles of Incorporation to effect a reverse stock

2

split of the Company's issued and outstanding shares of common stock. Your broker does not have discretionary authority to vote your shares without receiving your instructions with respect to Proposal 2, the approval of the Company's 2011 Equity Incentive Plan.

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 FOR both proposals.

If you are the beneficial owner of shares held through a bank, broker 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, only Proposal 1 is considered routine, which means that your bank, broker, or other nominee can vote your shares on Proposal 1 if you do not timely provide instructions to vote your shares.

If you are the beneficial owner of shares held through a bank, broker 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.

Could other matters be decided at the Special Meeting?

No. Under the Company's Amended and Stated Bylaws, only such business specified in the Notice of Special Meeting of Shareholders (or any supplement thereto) shall be conducted at the Special Meeting or any adjournment or postponement thereof.

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

All shareholders must present a form of personal photo identification in order to be admitted to the meeting. In addition, if your shares are held in the name of your broker, bank or other nominee and you wish to attend the Special Meeting, you must bring an account statement or letter from the broker, bank or other nominee indicating that you were the owner of the shares on the Record Date.

How can I change my vote?

Any person signing a proxy card in the form enclosed 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 Alan S. Ginsberg, Secretary of Eagle Bulk Shipping, 477 Madison Avenue, Suite 1405, New York, New York 10022, stating that the proxy is revoked;
- by submitting another proxy with a later date; or
- by attending the Special Meeting and voting in person.

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.

3

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 Proposal No. 1, concerning the approval of an amendment to the Company's Amended and Restated Articles of Incorporation to effect a reverse stock split. A majority of the total number of votes of the Company's common stock represented and entitled to vote at the Special Meeting is required for approval of Proposal No. 2, concerning the approval of the Company's 2011 Equity Incentive Plan.

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 in determining whether Proposals No. 1 or 2 have been approved and will have the effect of voting against Proposal No. 1 and will have no effect on the outcome of the vote of Proposal No. 2.

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, Proposal No. 1, concerning the approval of an amendment to the Company's Amended and Restated Articles of Incorporation to effect a reverse stock split is an item on which brokerage firms may vote in their discretion on behalf of their clients, even if such clients have not furnished voting instructions. Brokerage firms may not vote with respect to Proposal No. 2 without their clients having furnished voting instructions. There will be no broker "non-votes" on Proposal No. 1 because brokerage firms may vote in their discretion on behalf of their clients on this proposal even if such clients have not furnished voting instructions with respect to this proposal. There may be broker "non-votes" with respect to Proposal No. 2.

Who will count the votes?

The Company's proxy solicitor, The Altman Group, Inc. (the "The Altman Group"), will serve as proxy tabulator and count the votes. The results will be certified by the inspectors of election.

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

We will pay the costs relating to this proxy statement, the proxy and the Special Meeting. We have retained The Altman Group to act as our proxy solicitor in conjunction with the Special Meeting. The Altman Group may solicit proxies in person, by Internet or by telephone. We have agreed to pay The Altman Group a base fee of \$15,000, plus any reasonable expenses incurred in connection with the Special Meeting. We may also reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to beneficial owners. Our directors, officers and regular employees may also solicit proxies. They will not receive any additional pay for the solicitation.

FORWARD-LOOKING STATEMENTS

Matters discussed in this proxy statement may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other

statements, which are other than statements of historical facts.

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement in connection with this safe harbor legislation. This proxy statement and any other written or oral statements made by us or on our behalf may include forward-looking statements which reflect our current views with respect to future events and financial performance. The words

4

“believe”, “anticipate”, “intend”, “estimate”, “forecast”, “project”, “plan”, “potential”, “will”, “may”, “should”, “expect” and s identify forward-looking statements.

The forward-looking statements in this proxy statement are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors and matters discussed elsewhere in this proxy statement, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including fluctuations in charterhire rates and vessel values, changes in demand in the drybulk vessel market, changes in the Company’s operating expenses, including bunker prices, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities including those that may limit the commercial useful lives of drybulk vessels, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports we file with the Securities and Exchange Commission (the “SEC”). We caution readers of this proxy statement and not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to update or revise any forward-looking statements.

PROPOSAL NO. 1
APPROVAL OF AMENDMENT TO THE COMPANY'S AMENDED AND RESTATED
ARTICLES OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT

General

Our Board of Directors approved on September 30, 2011 and is hereby soliciting shareholder approval of an amendment to the Article FOURTH of the Company's Amended and Restated Articles of Incorporation to effect a reverse stock split of the Company's issued and outstanding shares of common stock, par value \$0.01 per share (the "Common Stock") by a ratio of between one-for-three and one-for-ten inclusive, to be determined by the Company's Board of Directors in its discretion (the "Amendment"). A vote FOR Proposal No. 1 will constitute approval of the Amendment and will grant the Board of Directors the authority to determine whether to implement the reverse stock split and, if so, to select which of the approved exchange ratios within that range will be implemented. If the shareholders approve this Proposal No. 1, the Board of Directors will have the authority, but not the obligation, in its sole discretion, and without further action on the part of the shareholders, to select one of the approved exchange ratios and effect the approved reverse stock split by filing the Amendment with the Registrar of Corporations of the Republic of the Marshall Islands (the "Registrar of Corporations") at any time after the approval of the Amendment. If the Amendment has not been filed with the Registrar of Corporations prior to the Company's 2012 Annual General Meeting of Shareholders, our Board of Directors will abandon the Amendment constituting the reverse stock split and shareholder approval would again be required prior to implementing any reverse stock split thereafter. If implemented, the reverse stock split will become effective as of the first business day after the date the Amendment, substantially in the form attached to this proxy statement as Appendix A, is filed with the Registrar of Corporations. The Amendment will not change the number of authorized shares or par value of our Common Stock. After the reverse stock split, if implemented, the number of authorized shares of our Common Stock will remain at 100,000,000 shares and the number of the unissued shares of Common Stock will be between 79,112,060 and 93,733,618 shares inclusive, depending upon the exchange ratio selected by the Board of Directors.

Our Board of Directors reserves its right to elect not to proceed, and abandon, the reverse stock split if it determines, in its sole discretion, that implementing this Proposal No. 1 is not in the best interests of the Company and its shareholders.

Purpose and Background of the Reverse Stock Split

The reverse stock split is intended to increase the per share trading value of our Common Stock. The Board of Directors intends to effect the proposed reverse stock split only if it believes that a decrease in the number of shares of our Common Stock outstanding is likely to improve the trading price of the Common Stock, and only if the implementation of a reverse stock split is determined by our Board of Directors to be in the best interests of the Company and its shareholders.

The Company believes that by effecting the reverse stock split, the Company will be better able to maintain compliance with the NASDAQ Global Select Market's minimum bid price requirement, discussed below. 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. A higher stock price after a reverse stock split could alleviate this concern. By effecting a reverse stock split, we believe we may be able to raise the price of our Common Stock to a level where the Common Stock could be viewed more favorably by potential investors.

In addition, because the number of authorized shares of our Common Stock, which is currently 100,000,000, under our Amended and Restated Articles of Incorporation, would not decrease in accordance with the selected exchange ratio of the reverse stock split, if implemented, the reverse

stock split would provide us with additional shares of Common Stock, which would be available for issuance from time to time for corporate purposes such as acquisitions of companies or assets, sales of stock or securities convertible into Common Stock and raising additional capital.

The NASDAQ Global Select Market has several listing criteria that companies must satisfy in order to maintain their listing. One of these criteria is that our Common Stock have a minimum bid price that is greater than or equal to \$1.00 per share. Although we currently satisfy this requirement, the price of our Common Stock has declined. We believe that by effecting a reverse stock split, we will be better able to maintain compliance with this listing requirement in the future.

The combination of being listed on the NASDAQ Global Select Market and 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.

You should consider that, although our Board of Directors believes that a 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. You should also keep in mind that 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 you will also proportionately decrease as a result of the overall decline in value.

Potential Effects of the Proposed Reverse Stock Split

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 a 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 the event a 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 shareholders will receive a cash payment in lieu of any fractional shares, as described below in more detail. Shares of our Common Stock issued pursuant to the reverse stock split will remain fully paid and nonassessable. The reverse stock split will not affect our continuing to be subject to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended.

The reverse stock split, if implemented, would not change the number of authorized shares of our Common Stock, which is currently 100,000,000, under our Amended and Restated Articles of Incorporation. Therefore, because the number of issued and outstanding shares of our Common Stock would decrease, the number of shares remaining available for issuance would increase. We believe that the availability of the additional shares will provide us with the flexibility to meet business needs as they arise, to take advantage of favorable opportunities and to respond to a

changing corporate environment. 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 this proposal 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.

Holders of our Common Stock are not entitled to preemptive rights with respect to the issuance of additional Common Stock or securities convertible into or exercisable for Common Stock. Accordingly, the issuance of additional Common Stock or such other securities might dilute the ownership and voting rights of shareholders. Specifically, any such additional issuance may have the effect of significantly reducing the interest of the existing shareholders of the Company with respect to earnings per share, voting power, liquidation value and book and market value per share.

The reverse stock split could, if implemented and under certain circumstances, have an anti-takeover effect, although this is not the intent of the Board of Directors. 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, 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 take control of the Company and the Board of Directors has not approved the reverse split with the intent that it be utilized as a type of anti-takeover device.

Effective Date

The reverse stock split, if approved at the Special Meeting and implemented by our Board of Directors, would become effective as of the first business day after the date the Amendment is filed with the Registrar of Corporations (the "Effective Date"). Except as explained below with respect to fractional shares, on the 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 Board of Directors from the approved exchange ratio range.

Effects on Ownership by Individual Shareholders.

If we implement the proposed reverse stock split, the number of shares of our Common Stock held by each shareholder would be reduced by multiplying the number of shares held immediately before the reverse split by the exchange ratio selected by the Board of Directors from the approved range. The reverse stock split will affect all of our shareholders uniformly and will not affect any shareholder's ownership percentage interests 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 shareholders will receive a cash payment in lieu of any fractional shares, as described below in more detail.

Board Discretion to Select Exchange Ratio and Effect Reverse Stock Split

The Board of Directors believes that shareholder approval of an exchange ratio range (rather than an exact exchange ratio) provides the Board of Directors with maximum flexibility to achieve the purposes of the reverse stock split. If shareholders approve this Proposal No. 1, the reverse stock split will be effected, if at all, only upon a determination by the Board of Directors that the reverse stock split is in the Company's and the shareholders' best interests at that time. In connection with any determination to effect the reverse stock split, the Board of Directors will select a specific exchange

ratio within the approved range and set the time for the split. These determinations will be made by the Board of Directors with the intention to create the greatest marketability of our Common Stock based upon prevailing market conditions at that time. The Board of Directors may effect only one reverse stock split in connection with this Proposal No. 1, and only prior to the Company's 2012 Annual General Meeting of Shareholders.

The Board of Directors reserves its right to elect not to proceed, and abandon, the reverse stock split if it determines, in its sole discretion, that implementing this Proposal No. 1 is not in the best interests of the Company and its shareholders.

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 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 Board of Directors 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 Board of Directors, other than stock options awarded under the 2011 Plan as discussed in Proposal No. 2 of this proxy statement under the section entitled "New Plan Benefits." 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 a United States citizen or resident, United States corporation or other United States entity taxable as a corporation, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership 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. Assuming the reverse stock split so qualifies,

- A U.S. Holder should not recognize any gain or loss for federal income tax purposes (except for cash, if any, received in lieu of a fractional share of common stock);
- The U.S. Holder's aggregate tax basis of the common stock received pursuant to the reverse stock split, including any fractional share of the common stock not actually received, should be equal to the aggregate tax basis of such holder's common stock surrendered in the exchange;
- The U.S. Holder's holding period for the common stock received pursuant to the reverse stock split should include such holder's holding period for the common stock surrendered in the exchange; and
- Cash payments received by the shareholder for a fractional share of common stock generally should be treated as if such fractional share had been issued pursuant to the reverse stock split and then redeemed by us, and such holder generally should recognize capital gain or loss with respect to such payment, measured by the difference between the amount of cash received and such holder's tax basis in such fractional share.

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.

No Appraisal Rights

Under the Marshall Islands Business Corporations Act, our shareholders are not entitled to appraisal rights with respect to the reverse stock split, and we will not independently provide shareholders with any such right.

Fractional Shares

No fractional shares will be created or issued in connection with the reverse stock split, if implemented. Shareholders of record who otherwise would be entitled to receive fractional shares as a consequence of the reverse stock split will be entitled, upon surrender to the exchange agent of certificates representing such shares or, in the case of non-certificated shares, such proof of ownership as required by the exchange agent, to a cash payment in lieu thereof at a price equal to the fraction to which the shareholder would otherwise be entitled multiplied by the closing price of

the common stock on the NASDAQ Global Select Market on the last trading day prior to the Effective Date, as adjusted for the reverse stock split as

10

appropriate or, if such price is not available, a price determined by our Board of Directors. The ownership of a fractional interest will not give the holder thereof any voting, dividend or other rights except to receive payment therefore as described herein.

Procedure for Effecting Reverse Stock Split and Exchange of Stock Certificates

As soon as practicable after the Effective Date, the Company's shareholders will be notified that the reverse stock split has been effected. The Company expects that its transfer agent, Computershare Investor Services LLC, will act as exchange agent for purposes of implementing the exchange of share certificates. Holders of pre-split shares will be asked to surrender to the exchange agent certificates representing pre-split shares in exchange for certificates representing post-split shares or, in the case of non-certificated shares, such proof of ownership as required by the exchange agent, in accordance with the procedures to be set forth in a letter of transmittal the Company will send to its shareholders. No new certificates will be issued to a shareholder until such shareholder has surrendered such shareholder's outstanding certificate(s) together with the properly completed and executed letter of transmittal to the exchange agent. Any pre-split shares submitted for transfer, whether pursuant to a sale or other disposition, or otherwise, will automatically be exchanged for post-split shares. **SHAREHOLDERS SHOULD NOT DESTROY ANY SHARE CERTIFICATE(S) AND SHOULD NOT SUBMIT ANY CERTIFICATE(S) UNTIL REQUESTED TO DO SO.**

Upon the reverse stock split, the Company intends to treat shares held by shareholders in "street name" through a bank, broker or other nominee in the same manner as registered shareholders whose shares are registered in their names. Banks, brokers or other nominees will be instructed to effect the reverse stock split for their beneficial holders holding shares in "street name." However, these banks, brokers or other nominees may have different procedures from those that apply to registered shareholders for processing the reverse stock split and making payment for fractional shares. If a shareholder holds shares with a bank, broker or other nominee and has any questions in this regard, shareholders are encouraged to contact their bank, broker or other nominee.

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